PROVINCIAL AUDITOR
of Saskatchewan

June 27, 2013

The Honourable Dan D'Autremont
Speaker of the Legislative Assembly
Room 129, Legislative Building
Regina, Saskatchewan
S4S 0B3

Dear Sir:

I have the honour of submitting my *Annual Report on Operations For the Year Ended March 31, 2013*, to be laid before the Legislative Assembly in accordance with the provisions of Section 14.1 of *The Provincial Auditor Act*. The information in this report reflects known events up to June 14, 2013.

Respectfully submitted,

Bonnie Lysyk, MBA, CA
Provincial Auditor

/kes

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Reflections of the Provincial Auditor

Reflections of the Provincial Auditor

It is a pleasure to present the results of the operations of our Office for the twelve months ending March 31, 2013.

One objective of this report is to communicate who we are and what we do. We are auditors. We work on behalf of the Legislature and the citizens of Saskatchewan to contribute to better program performance, better parliamentary control and improved public confidence. Page 6 in the Context section and **Exhibit 1** on page 8 provide some details on what we do and the impact of our work.

A further objective of this Annual Report is to report back on the accountability cycle that began when the Office tabled the *2013 Business and Financial Plan* in January 2012. This is the first year we are reporting our results in comparison to our new five-year Strategic plan (2012-2017) which was published in the *2013 Business and Financial Plan*.

In our Strategic Plan, we adopted a balance scorecard approach which focuses on five perspectives:

- Stakeholders (Clients)
- Organization
- People, Learning, and Development
- Resources
- Public and Social

The Performance section of this report, beginning on page 19 includes our balanced scorecard summarizing the targets and results for the five perspectives and goals. The Financial Highlights section, which begins on page 31, provides additional financial information.

In summary, the Office was able to achieve all of the goals we established in our 2013 plan. However, while our agency satisfaction results are favourable, the response rate over the last five years has averaged at 47%. A higher response rate will make us aware of the level of satisfaction of the other 53% of agencies so that we can respond accordingly. We continue to encourage agencies to respond.

The past year was a busy year for our Office. We issued Volume 1 and Volume 2 of the 2012 report, which contained many chapters covering the audit work performed for approximately 270 entities. On top of this more normal recurring work, our work included the following initiatives this year:

- Implemented a new reporting format with the release of Volume 1 in June 2012
- Prepared a special report for the Legislative Assembly – *The Need to Change – Modernizing Government Budgeting and Financial Reporting in Saskatchewan* (tabled in April 2013)
- Completed renovations of our office space in conjunction with our landlord to improve the functionality of our working environment
- Continued to implement enhancements to the content and functionality of our website
- Increased recruitment efforts to hire non-accountants and senior audit professionals

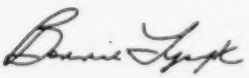
During the past year, Ms Jane Knox, retired as Senior Principal after serving the people of Saskatchewan for 23 years. We wish her all the best in her retirement.

Our Office's success depends on the efforts of many people. Legislators' careful public review of our reports helps us in ensuring that our work makes a difference. As well, Legislators have continually supported the work of the office by providing funds needed to audit the Government. For the last eighteen years, legislators have consistently supported the Office's budget requests.

Government officials and appointed auditors also contribute to our Office's success. Historically, we have had excellent co-operation from the organizations we audit, and this year was certainly a continuation of that co-operative mindset. Without the Government's co-operation and assistance, we would be unable to report on the quality of its management systems and processes to the Legislative Assembly.

Finally, I would like to say a personal "thanks" to the terrific team of skilled, hard working and dedicated professionals in my office whose work continues to make a difference in serving the Legislative Assembly and the citizens of Saskatchewan!

Sincerely,



Bonnie Lysyk, MBA, CA
Provincial Auditor

Context

Independence

The Provincial Auditor Act creates an independent Officer of the Legislative Assembly called the Provincial Auditor. The Act gives the Provincial Auditor the responsibility to audit all government agencies and report the results to the Legislative Assembly.

The Act ensures that the Provincial Auditor is independent from elected and appointed officials including the Assembly's committees and boards. The Standing Committee on Public Accounts, an all-party committee that does not include cabinet ministers, unanimously recommends the Provincial Auditor for appointment by the Legislative Assembly for a 10-year term. A resolution of the Legislative Assembly is required to remove the Provincial Auditor from office.

The Act also requires the Standing Committee on Public Accounts to recommend the annual funding for the Provincial Auditor's Office. The Act sets the Provincial Auditor's salary and benefits. The Provincial Auditor also has managerial independence including deciding which employees to hire, what audit work needs to be done, and how the work is carried out.

The Office's policies require all employees to confirm annually whether they have relationships with the Government that could be perceived to affect their independence and objectivity. Also, generally accepted auditing standards require that the Provincial Auditor confirm her independence and objectivity. Bonnie Lysyk confirms that she is independent and objective with respect to the Government of Saskatchewan within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Saskatchewan.

Who We Serve

The Office of the Provincial Auditor helps the Legislative Assembly hold the Government accountable for how it manages public resources. Our Office examines the Government's management of public resources and reports its findings to the Assembly.

What We Do

Our Vision

A valued and independent legislative audit office, inspiring and advancing excellence in public sector performance, accountability, and sustainability.

We Envision

A transparent and accountable government delivering effective programs that meet the needs of the people of Saskatchewan.

Our Mission

To serve the Members of the Legislative Assembly and the people of Saskatchewan, we provide independent assurance and advice on the management, governance, and effective use of public resources.

How We Carry Out Our Mission

To fulfill our mission, we provide independent assurance (audit reports) and advice on the Government's management of and accountability practices for the public resources entrusted to it. We:

- Advise the Legislative Assembly on:
  - The reliability of the Government's public performance reports
  - The Government's compliance with legislative authorities
  - The adequacy of the Government's management of public resources
- Encourage discussion and debate about public sector management and accountability issues
- Assist the Standing Committees on Public Accounts and Crown and Central Agencies
- Develop professionals for public service
- Support and adhere to the accounting and assurance standards published by The Canadian Institute of Chartered Accountants.

Our Reports

We report our assurance and advice to the Legislative Assembly and the Government.

At the end of each audit, we issue a final report to the Minister responsible, to senior officials of the agency and, if applicable, to the chair of the board of directors. We also send a copy to the Chair and Secretary of Treasury Board and to the Provincial Comptroller.

We provide the Assembly with our audit reports (assurances) on the reliability of the financial statements and other performance reports issued by government agencies.

We report directly to the Assembly each year. These reports contain the matters that we think are significant to the Assembly and the public. We decide what matters to report using the following questions:

- Does the matter affect the Assembly's ability to control the financial activities of the Government?
- Does the matter affect the Assembly's ability to hold the Government accountable for how it administers public money?
- Does the matter involve improving how the Government administers public money?
- Does the matter involve non-compliance with legislative authorities?

We assess these questions of what to report for specific government sectors, programs, agencies, and for the whole Government.

When an agency's financial statements, compliance with authorities, and processes to safeguard public resources are satisfactory, we also report that information to the Government and the Legislative Assembly.

Outcomes of Our Work and Reports

Exhibit 1 on page 8 shows the outcomes of our work.

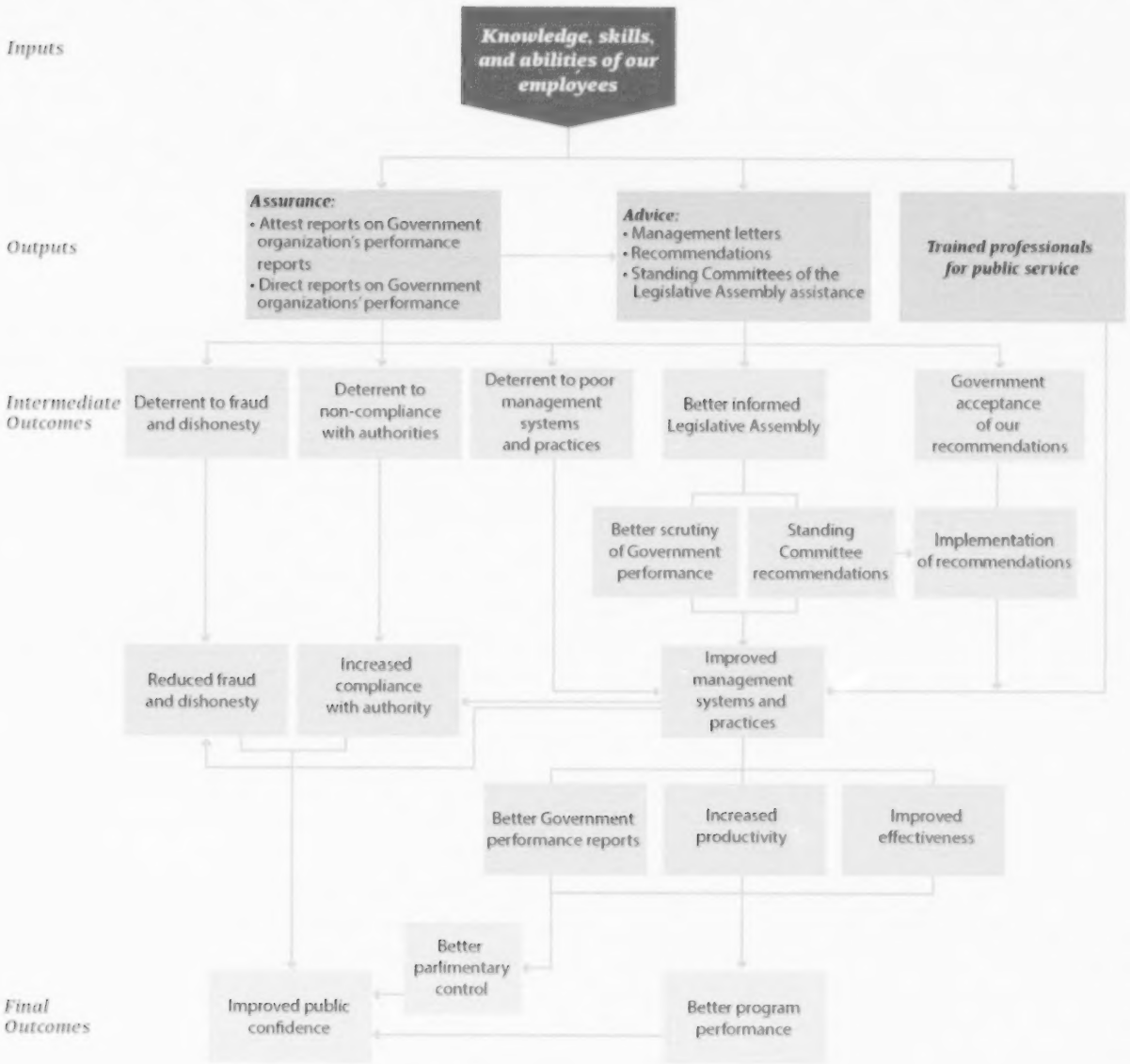
For our parliamentary system of government to work properly, it must have the public's confidence. To merit this confidence, the Government's programs must be effective. Also, the Government must be open and accountable to the public.

Our work and reports affect public confidence in the Government. They provide the public with confidence that the Government's financial and other reports are reliable, the Government uses adequate processes to safeguard public resources, and the Government has complied with governing authorities.

One important responsibility of the Legislative Assembly is to hold the Government accountable for its management of public resources. By providing relevant, reliable, and timely reports, we help the Assembly to carry out this responsibility.

Our work and reports call for public accountability for government operations and sound management. They contribute to informed decision making in government and business-like processes. This helps the Government carry out its responsibility to use sound management practices.

Exhibit 1—What We Do and the Impact of Our Work



Our Values

We are committed to earning the respect and confidence of our stakeholders and professional colleagues. We hold ourselves individually and collectively accountable in upholding the vision, mission, and values of the Office of the Provincial Auditor.

- **Independence** – We maintain our objectivity in all of our work.
- **Innovation and Excellence** – We challenge the status quo and strive for excellence to achieve positive results.
- **Trust and Integrity** – We are professional, honest, courteous, and fair.
- **Leadership** – We lead by example and encourage open communication and teamwork.
- **Relevance** – We make a difference, serving as a catalyst for effectiveness and accountability in the public sector.
- **Balance** – We support harmony between work, personal life, and community involvement as we strive to balance personal and professional goals.
- **Learning** – We promote and foster a creative culture that stimulates personal and professional growth.
- **Diversity** – We believe our strength rises from the diversity of our experience, knowledge, and cultural backgrounds.
- **Accountability** – We actively take responsibility for achieving positive results and for explaining our performance.

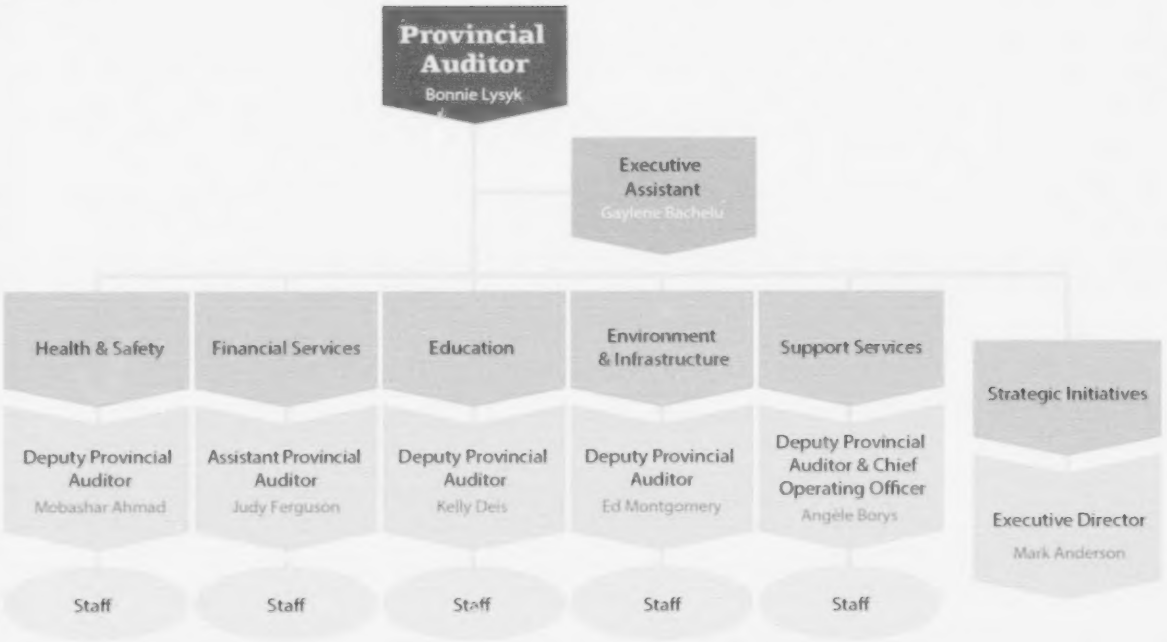
Our Competencies

Our knowledge, skills, and abilities affect what we do for the public, the Legislative Assembly, and the Government. We apply the following special competencies and experience to our work and reports:

- Objectivity, because of our full independence from the Executive Government (i.e., ministries, Crown corporations, boards, commissions, funds)
- Thorough knowledge of the:
  - Complex structure and systems the Government uses to manage public resources
  - Structure of legislative authorities governing the activities of government agencies related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing
  - Audit of information technology systems
  - Accounting and assurance standards published by The Canadian Institute of Chartered Accountants
- Working knowledge of the issues facing government agencies operating in diverse types of businesses including education, health, insurance, protection of people and property, pension and benefit plans, energy, telecommunications, gaming, transportation, renewable resources, non-renewable resources, human resources, construction, and financial services
- A business view derived from rigorous professional training that we blend with our practical knowledge of public administration

Our Organization

Exhibit 2



Our Health and Safety Division's responsibilities include examining the Government's programs related to health (including regional health authorities), justice, workplace safety, social services (including child and family services, social assistance, and housing), the Workers' Compensation Board, SaskEnergy, and a number of other government organizations. Auditing the delivery of health care, safety, and social services requires our staff to understand risks associated with these programs.

Our Financial Services Division's responsibilities include leading the audit of the Summary Financial Statements for Saskatchewan. This Division is also responsible for our audits of the Crown Investments Corporation of Saskatchewan, pension plans, insurance, gaming, and a number of other government organizations including the General Revenue Fund.

Our Education Division's responsibilities include examining the Government's education and training programs, SaskTel, and a number of other government organizations. The education sector covers early childhood development, pre-kindergarten to grade 12 education, technical training, and post-secondary education (including the audits of the University of Saskatchewan, University of Regina, and SIAST).

Our Environment and Infrastructure Division's responsibilities include examining the Government's programs related to the environment, economy, SaskPower, physical infrastructure (including highways and watersheds), and a number of other government organizations. This Division is also responsible for our government-wide information technology audits.

Our Strategic Initiatives portfolio's work includes cross-government audits and special projects including governance reviews.

Our Support Services Division's responsibilities include human resources, performance reporting,

training, information technology, communications, and administration.

At March 31, 2013, our Office employed 63 people. Thirty-seven of our employees are professional accountants. Fourteen are training to become professional accountants.

Our employees are our most valuable resource because "what we do" depends on their knowledge and skills. Creating and maintaining an environment that encourages and rewards ongoing learning is crucial to our success.

What We Planned To Do

Balanced Scorecard

Our Office adopted a balanced scorecard approach to design and measure its five-year strategic plan (2012–2017). This year was the first year of the five-year plan (April 1, 2012 to March 31, 2013).

The balanced scorecard adopted by the Office has five perspectives:

- Stakeholders (Clients)
- Organization
- People, Learning, and Development
- Resources
- Public and Social

Our goals and measures for each perspective are summarized in the following exhibit:

Exhibit 3

Our Balanced Scorecard: 2012 to 2017

	Stakeholders (Clients)	Organization	People, Learning, & Development	Resources	Public and Social
GOALS	Strengthen and advance Government's ability to achieve intended results and its accountability to the Legislative Assembly and the people of Saskatchewan	Continuously improve the overall effectiveness of our Office	Be an employer of choice who develops and sustains leading expertise and knowledge within the context of a flexible and healthy workplace	Provide relevant, reliable, and timely products and services at a reasonable cost	Raise awareness of the Office of the Provincial Auditor as an accessible and independent office serving the Legislature and the people of Saskatchewan
MEASURES	Government acts on 80% of recommendations that can be implemented within one year Government acts on 80% of recommendations that can be implemented within five years Auditees' post-audit feedback acknowledge value and satisfaction with our work Our reports are provided within agreed upon timeframes and meet statutory deadlines	Employee time consistent with Business and Financial Plan Our work is reported by established deadlines and within the planned costs set out in our approved Business and Financial Plan Positive CCOLA Peer Reviews & ICAS Practice Inspection Reports The audit opinions on our public performance reports are unqualified Time spent on performance work increases to 20% of available audit hours MLAs have confidence in our independence	Annual office culture survey indicates a positive working environment Students successfully obtain their professional designations Training in the office averages a minimum of 8% of available hours Our auditor composition includes at least 15% of professionals having a non-accounting designation Career plans are in place for individuals who have completed their professional certification	Our Business and Financial Plan is approved by the Public Accounts Committee Our work is reported by established deadlines and within the planned costs set out in our Business and Financial Plan The Standing Committees on Public Accounts and Crown and Central Agencies accept 90% of our recommendations	Members of the Legislative Assembly have confidence in the independent assurance work of the Office Public awarer.ess of our Office Positive trend in the number of visits to the Office's website and the number of reports downloaded Leadership roles held by members of the Office on relevant key provincial and national committees

Our products and services include independent financial statement audits, internal control audits, compliance audits, performance audits, better practice guides, assurance reports, and the sharing of knowledge and expertise.

Our strategic plan outlines a comprehensive set of objectives and supporting strategies designed to accomplish our vision, mission, legislated mandate, and goals. Refer to pages 69 to 86 for the complete 2012–2017 Strategic Plan.

Factors Affecting Our Work Plan

Annually, we provide a detailed work plan to the Legislative Assembly. The work plan reflects our goals, values, and several other key factors.

Our work plans ensure we fulfill our responsibilities under *The Provincial Auditor Act*. The Act sets out the agencies we must examine.

When we prepare our work plan for the next fiscal year, it reflects known information about:

- The Government's revenue and spending
- The number of government agencies
- The quality of the Government's records, systems, and practices
- The Government's use of appointed auditors
- Professional standards
- The co-operation we expect to receive from government officials and appointed auditors when we do our work
- The public's expectations

Forces and Trends Affecting Our Work Plan

External forces and trends also affect our work plans. We identified twelve major external forces and trends that affect our stakeholders (i.e., legislators, the public, and government officials). For more details, please refer to our external forces and trends listed on pages 70 to 73.

Our Focus

We focus our efforts on helping our stakeholders address the challenges and opportunities emerging from these external forces and trends as well as several more specific issues. In particular, we encourage the Government to address the following challenges:

- Report on how it manages the risks related to advancing technology, changing demographics, economic constraints, globalization, sustainability, and protecting the environment
- Improve its management of risks for effective service delivery related to public sector human resources, the environment, and infrastructure including information technology
- Improve long-term capital and operating planning processes
- Improve governance processes for better management of public resources
- Strengthen its management of complex accountability relationships with non-government organizations (e.g., service agreements with community-based organizations, public private partnerships, financing structures)
- Strengthen its management of and accountability for intergovernmental and interagency programs
- Strengthen its management of key regulatory processes and operations
- Improve the quality of information provided to legislators on the plans and results of the overall Government and each of its agencies including Crown corporations

Risk Management

Our Key Risks

Sound risk management is essential for us to help the Legislative Assembly hold the Government accountable for its management of public resources. To manage risk, we must identify, assess, and reduce to an acceptable level the possible adverse consequences that the Office may experience from events or circumstances.

We routinely identify and assess our risks. We have established processes to reduce the likelihood of adverse consequences to an acceptable level. We accept some risk because it is not cost effective to cut out all risks. The following are our key risks along with the key processes we use to reduce these risks to an acceptable level.

- **Our stakeholders do not support our goals and objectives**. For the Office to remain viable, legislators, the public, and government officials (our stakeholders) should support our goals and objectives. Pursuing our goals and objectives must result in relevant assurance (audit reports) and advice for our stakeholders. As discussed more fully in the risks that follow, we have established processes so that we set goals and objectives that will result in relevant assurance and advice for our stakeholders.

- **The Government does not act on our recommendations**. Doing independent, reliable, and relevant work at a reasonable cost is vital to our Office's success. These attributes are also essential for our stakeholders to value our advice. We must understand the challenges that the Government faces. Also, our advice must help improve program performance. In the risks that follow, we set out the processes that we use so that our assurance and advice is independent, relevant, reliable, and cost effective.

- **We do not adequately understand or respond to the challenges and risks faced by our stakeholders**. If our assurance and advice is to be reliable, we must understand the challenges and risks faced by the Government. How the Government manages its risks affects the nature and extent of work we must do to report to the Assembly.

We must also understand the challenges faced by legislators and the public if our assurance and advice is to be relevant. To be relevant, our assurance and advice should result in better parliamentary control over government activities and better program performance.

On pages 70 to 73, we set out a summary of the external forces and trends affecting Saskatchewan, which enables us to understand the challenges and risks faced by the Government, legislators, and the public.

- **The Standing Committees on Public Accounts and Crown and Central Agencies are unable to fulfill their responsibilities.** Our Office must provide assurance and advice that is consistent with the Committees' objectives.

The Standing Committee on Public Accounts is the audit committee for the Legislative Assembly. The Committee is a key agent of change for improving the Government's management of public resources. The Committee's mandate is to help the Assembly hold the Government accountable for its spending of taxpayers' money and for its stewardship over public resources. The Committee reviews, examines, and evaluates the activities of government ministries and Crown agencies. The Committee works with the Provincial Auditor to carry out the Committee's mandate.

The Standing Committee on Crown and Central Agencies helps the Legislative Assembly hold the Government accountable for its management of public resources. The Committee considers matters relating to the Crown Investments Corporation of Saskatchewan and its subsidiaries, supply and services, central agencies, liquor, gaming, and all other revenue related agencies and entities. Since 2001, the Assembly has referred the parts of our reports that relate to the Crown Investments Corporation of Saskatchewan (CIC) and its subsidiaries to the Committee for review. During those reviews, the Committee works with the

Provincial Auditor to carry out the Committee's mandate.

Our Office must provide independent, relevant, and reliable information that is consistent with the Committees' objectives. To do this, our Office works closely with the Committees. Also, the Office provides the Assembly with an annual business and financial plan and an annual report on operations. The Standing Committee on Public Accounts reviews and provides its advice on these reports.

- **We lose or stakeholders perceive that we have lost our independence**. *The Provincial Auditor Act* makes our Office responsible for examining all public resources managed by the Government (e.g., ministries, boards, corporations) and the Legislative Assembly (e.g., Board of Internal Economy).

The Act makes our Office independent of appointed and elected officials so that we can administer the Act without risk of intimidation.

The Act defines the agencies that the Office must examine. The Office decides what work needs to be done and how the work is carried out for the proper administration of the Act.

We guard our independence and report to the Assembly when we are concerned about our independence. Also, the Office has processes to maintain objectivity and independence in our work for the Legislative Assembly.

- **We provide inappropriate or incorrect assurance and advice**. Stakeholders must trust and value our assurance (audit reports) and advice. Gaining and keeping their trust is essential to the viability of the Office. On pages 75 to 84, we set out our goals, objectives, and supporting strategies to ensure that our assurance and advice are reliable.

Also, in the next section—systems and practices for achieving our goals—we describe our quality control system to ensure that our work is reliable. These processes reduce our risk to an acceptable level. But, we recognize systems and practices sometimes fail because of factors such as procedural failures and human error.

- **We do not have the required competencies and resources to deliver our products and services**. The quality of our work is dependent on the knowledge, skills, and abilities of our employees. We have established hiring processes and training programs to ensure we acquire and maintain the competencies we discuss on page 9.

To discharge our statutory duties, we need sufficient resources to employ the required competent people. We also need enough resources to equip, support, and house our employees. We need the support of legislators to get the required resources. To gain this support, we have established processes to ensure that our work is relevant to legislators and reliable. Also, we publish a business and financial plan and an annual report on operations to build legislators' support for our request for resources. When we do not have enough resources to pay for the cost of our workforce, we reduce the size of our staff. When this happens, we do not do all the work the law requires us to do and we advise our stakeholders.

- **We do not manage our resources effectively**. Our management practices must promote the effective use of our resources. We have established processes to keep this risk at a minimum. These processes include such things as setting direction, setting performance targets, monitoring our values, training staff, segregating duties, maintaining procedural manuals, delegating authority, processing transactions, reporting, and monitoring results.

Systems and Practices for Achieving Our Goals

Strong systems and practices ensure we have proper processes to manage the risks that might prevent our Office from achieving its goals including sound financial management.

To achieve our goals, we need systems and practices to ensure:

- The quality of our work

- The relevance of our work in strengthening and advancing the Government's ability to achieve intended results
- That our work covers all government agencies accountable to the Legislative Assembly and the people of Saskatchewan
- Our stakeholders understand and value our work
- Quality services and products are provided at a reasonable cost

The following briefly describes these systems and practices.

Quality

The Office complies with the accounting profession's generally accepted standards of practice. The objective of these standards is to maintain and enhance the quality of audit work.

We established a system of quality control to ensure that the Office and its staff comply with professional standards and legal requirements. The quality control system also ensures that our reports are appropriate.

The Office's system of quality control includes the following elements: leadership responsibilities for quality within the Office, ethical requirements, acceptance of specific assurance work, human resources, engagement performance, and monitoring. We have documented the quality control policies and procedures and communicated them to staff.

The system of quality control promotes recognition that quality is essential in our work. The Office's internal documentation, training materials, and staff appraisal procedures reinforce the view that quality is essential in our work.

We maintain our objectivity and independence in all our work. We routinely ask our staff to confirm that they comply with our objectivity and independence standards. We also have policies to change senior staff on significant audits at reasonable intervals.

We have hiring, training, and performance evaluation policies to help staff have the knowledge, skills, and abilities needed to do their work. These policies also help us broaden our staff's skills in key sectors (e.g., health, education, and social services), information technology, and general management.

We use standard methods for carrying out our work and continually change the methods to reflect best practice.

The methods cover how we plan, execute, supervise, review, and report our work. We monitor all our work to know that it meets our standard methods. Also, we have procedures for working with other auditors who audit government agencies.

Relevant Work

The following systems and practices help us strengthen and advance the Government's ability to achieve intended results and its accountability to the Legislative Assembly.

Our Office publishes its strategic plan that includes its goals, objectives, and general strategies. The strategic plan is the foundation for our annual business and financial plans. Our processes require us to review the internal and external environments to assess whether changes are required. This helps our Office direct its efforts toward relevant issues.

Our personnel policies ensure that our employees align their activities with our goals and objectives. Each employee's annual work plan shows how the employee will contribute to achieving our goals and objectives. We continually monitor our employees' work plans.

We have established standards that require us to report to agencies our conclusions, findings, and recommendations after each audit. Those standards also require us to meet with agencies to discuss the findings and gain support for our recommendations. Also, we monitor management's satisfaction with our work. We also continuously seek advice from stakeholders when we work with appointed auditors.

Scope of Our Work

The following practices ensure that our work covers all government agencies.

The Legislative Assembly, Cabinet, and government agencies create or wind up other government agencies. We monitor their actions and continually change our list of government agencies.

We prepare an annual work plan for the Office that covers all government agencies. We use a risk-based model to focus our work. We estimate the costs of carrying out the plan and ask the Assembly for the money to carry out the plan.

Stakeholders Understand and Value Our Work

The following processes help us communicate to our stakeholders who we are, our plans, and the results of our work.

We have processes to prepare reliable plans and performance reports. These documents convey vital information about our Office. We also have processes to make these documents accessible to legislators, the public, and government officials. And, we seek and monitor the views of our stakeholders on our plans and performance.

We have processes to report our assurance and advice to the Legislative Assembly and our other stakeholders in a clear, accessible, and timely manner. We monitor legislators' and the Government's acceptance of our recommendations. We also monitor the use of our reports by legislators, legislative committees, and the media.

Quality at Reasonable Cost

The following systems and practices affect the quality and cost of our services.

As mentioned previously, we established systems and practices to ensure the quality and relevance of our work. These processes include identifying best practices. We continually compare the way we do our work with private sector auditors and other legislative auditors.

We have established systems and practices for the sound financial management of our assets. Our auditor reports publicly that our management systems and practices are adequate (see page 66).

We have established processes so that we report our work by established deadlines and within the planned costs set out in our business and financial plan. We forecast the cost of each audit and monitor the cost. We compare planned to actual costs, and we explain and act on differences. We also routinely compare our costs with private sector auditors' costs to audit government agencies.

Our most significant expense is salaries and benefits. We plan the use of our employees' time and monitor our employees' use of time. We compare planned to actual results, and we explain and act on differences.

Also, because the quality and cost of our work is directly related to our employees, we monitor our employees' views of our working environment.

Performance

What We Have Done

Background for Measuring Our Performance

We have three basic outputs (services). These are assurance (audit reports), advice (recommendations), and trained professionals for public service (see **Exhibit 1** on page 8). Our advice is a by-product of our assurance work. We deliver our services in several ways.

We provide assurance and advice to government officials. We provide assurance by way of reports on the reliability of financial statements, compliance with authorities, and the adequacy of financial management systems and practices. We provide advice and assurance by way of letters to government officials setting out our conclusions, findings, and recommendations for improvement.

We also provide assurance and advice to the Legislative Assembly and the public in our reports to the Assembly. These reports summarize our work at government agencies. They provide assurance and advice on the Government, sectors of the Government, and on each government agency's financial statements, its compliance with authorities, and the adequacy of its financial management systems and practices.

As shown in **Exhibit 1** on page 8, our assurance and advice results in two final outcomes. These outcomes are improved public confidence in government and improved performance in the delivery of government programs. We think the Government can gain improved public confidence by improving its performance reports (i.e., business and financial plans and annual reports). We also think the Government can improve the delivery of its programs by acting on our recommendations.

Our trained professionals sometimes leave our Office to work in the public sector. They contribute to improved management systems and practices in those agencies. During the year ended March 31, 2013, one employee who left our Office accepted a public sector position.

Our major input cost to produce our products is salaries and benefits. Salaries and benefits account for 79% of our spending. We monitor and report publicly on the use of staff time.

Reporting Publicly on Our Performance

Our target is to provide the Assembly with our business and financial plans and our annual reports on operations as required by *The Provincial Auditor Act*.

During the year, we provided the Assembly with our *Annual Report on Operations for the year ended March 31, 2012* and our *Business and Financial Plan for the year ending March 31, 2014* as required by the Act. These reports are available on our website.

Measuring Our Performance

We measure our success in achieving our goals and objectives by monitoring the measures for each of the five perspectives of our balanced scorecard. For the year ended March 31, 2013, we had our results for key performance information audited. The auditor reported that the performance information was relevant, reliable, and understandable. We include the auditor's report and our performance information schedule on pages 54 to 61.

The following discussion and exhibits provide a detailed report card on our performance. We set out our actual and target performance by perspective for each measure of success towards meeting our goals.

Our Balanced Scorecard

Stakeholders (Clients)

Goal: Strengthen and Advance Government's Ability to Achieve Intended Results and its Accountability to the Legislative Assembly and the People of Saskatchewan

Our primary clients are the members of the Legislative Assembly and the people of Saskatchewan. Our other clients are public sector ministries and agencies.

We measure our success in strengthening and advancing Government's ability to achieve intended results and its accountability to the Legislative Assembly and the people of Saskatchewan using four measures.

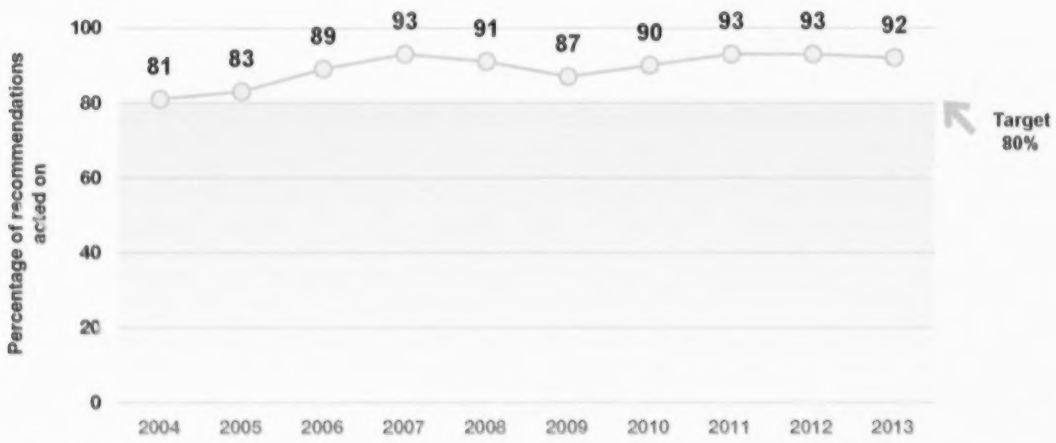
Government's Acceptance of Our Recommendations

We group our recommendations to the Legislative Assembly for improving the Government's performance reports and the Government's delivery of its programs into two types. Type 1 recommendations are easier to carry out. Our performance measure is that the Government acts on 80% of recommendations that can be implemented within one year (Type 1). Type 2 recommendations are more difficult to carry out. Our performance measure is that the Government acts on 80% of recommendations that can be implemented within five years (Type 2).

We track our Type 1 recommendations over a five-year period. From April 2008 to March 2013, we made 322 Type 1 recommendations. Of those recommendations, 242 are more than one year old.

For 2013, **Exhibit 4** shows that the Government acted on 92% of the Type 1 recommendations that are more than one year old. In 2013, we achieved our target that the Government acts on 80% of recommendations that can be implemented within one year.

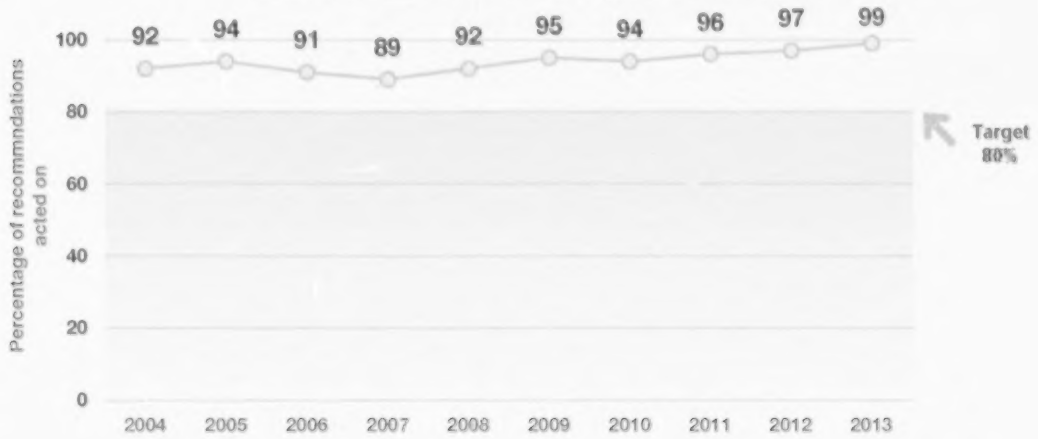
Exhibit 4: ***Percentage of Type 1 Recommendations more than One Year Old Acted on by the Government***



We track our Type 2 recommendations over a ten-year period. From April 2003 to March 2013, we made 559 Type 2 recommendations. Of those recommendations, 196 are more than five years old.

For 2013, **Exhibit 5** shows that the Government acted on 99% of the Type 2 recommendations that are more than five years old. We achieved our target that the Government acts on 80% of recommendations that can be implemented within five years.

Exhibit 5: ***Percentage of Type 2 Recommendations more than Five Years Old Acted on by the Government***



Agencies' Value and Satisfaction with our Work

We want government agencies to value and be satisfied with our work. Our performance measure is for post-audit feedback from auditees to acknowledge the value of our work and indicate satisfaction with our work.

Our current survey of auditees measures satisfaction with our work. In 2013, we developed a new survey to measure both acknowledgement of the value of and satisfaction with our work. Beginning in 2014, we will report our results based on the new survey information.

This year is the fifteenth year that we surveyed government agencies about their satisfaction with our work. The work was related to our examinations of agencies during our fiscal years ended March 31, 2009 to March 31, 2013.

We sent 261 surveys to agencies and received 122 responses. We asked the agencies to tell us their satisfaction with our work as it relates to the following four areas:

- Our planned work for the agency met its needs and that we carried out our work according to the plan (responsiveness)
- Our employees were knowledgeable and carried out their work professionally and courteously (professionalism)
- Our reports to the agency's Minister were understandable, fair, and accurate (reports)
- Our recommendations to the agency were feasible and result in proper management of public resources and accountability (recommendations)

As set out in **Exhibit 6**, agencies are satisfied with our performance. Although we are pleased with the results for the 47% of the surveys (responses received), we are concerned that we do not know the level of satisfaction for the other 53%. We will continue to encourage agencies to respond.

Exhibit 6: Agencies' Satisfaction with Our Performance

Criteria	2009	2010	2011	2012	2013
Responsiveness	satisfied	satisfied	satisfied	satisfied	satisfied
Professionalism	very satisfied	very satisfied	very satisfied	very satisfied	very satisfied
Reports	very satisfied	very satisfied	very satisfied	very satisfied	very satisfied
Recommendations	very satisfied	very satisfied	very satisfied	very satisfied	very satisfied

Timely Assurance on Reports

For all government agencies, we report on the adequacy of their processes to safeguard public resources, prepare reliable financial reports, and comply with the law. These types of assurances (audit reports) are important to legislators and the public.

To show leadership, we publish our auditor's reports on the adequacy of our financial management processes and compliance with the law in our annual reports on operations (see pages 66 to 67).

To have confidence in reported information, legislators and the public need timely assurance that the Government's reports are reliable. We measure our success in strengthening Government's ability to achieve its accountability by providing our reports to the Legislature and government officials within agreed upon timeframes and assisting agencies in meeting their statutory deadlines.

We track the timeliness of our reports to government agencies. The planned dates are the dates that we agreed to provide our reports to government agencies. The reports include our assurance on the financial statements of government agencies and our advice on improving the agencies' financial management processes.

We provided 85% of our reports to government agencies by the agreed on dates (2012 – 81%). We continue to work on improving our performance in this area, specifically in relation to the issuance of management letters. As mentioned above, our survey of government agencies shows that agencies are satisfied with our work as it relates to responsiveness.

Providing our reports to agencies on a timely basis assists agencies in meeting their statutory deadlines. Of the 270 agencies we audited in 2013, 5 agencies did not table their financial information with the Legislative Assembly within the timeframe required by legislation. These delays were not attributable to the work of the Office.

Organization

Goal: Continuously Improve the Overall Effectiveness of our Office

Our performance is achieved through sound organizational structure, strong governance, strong management, strong technical knowledge, and efficient administrative support.

We measure our success in continuously improving the overall effectiveness of our Office using seven measures.

Employee Time

Two measures relate to our use of employee time.

To manage our largest cost (salaries), we expect to use our employees' time according to our planned times set out in our *2013 Business and Financial Plan*.

Pages 52 to 53 show the actual use of our employees' and contracted staff time compared with our planned use. The actual information for 2011, 2012, and 2013 is audited. Our auditor reported on page 51 that the information is reliable.

For the most part during 2013, we used our employees' and contracted staff time as planned. On page 52, we explain significant differences between planned and actual time.

We measure our success in effectively allocating the resources of the Office to best serve the Legislature and the public by monitoring the proportion of time spent on all of products and services, including performance work. Our performance measure is that the proportion of time spent on performance work increases year over year toward our target of 20% of available audit hours.

For 2013, we spent 17% of available audit hours on performance work. This is an increase from our benchmark year (2012), where our actual time spent on performance work was 12%. We achieved our target that the proportion of time spent on performance work increases year over year toward our long term target of 20% of available audit hours.

Completion of Our Work as Planned

Our performance measure is to report our work by established deadlines and within the planned costs set out in our approved Business and Financial Plan.

We completed the majority of the work set out in our *2013 Business and Financial Plan*. We completed our *2012 Report – Volumes 1 and 2* to the Legislative Assembly. We also reported our audit conclusions, findings, and recommendations to each government agency.

We could not complete some of the work set out in our *2013 Business and Financial Plan* because of delays in receiving information from some government agencies.

Pages 47 to 50 show our actual costs for examining government agencies for years ending in the period January 1, 2012 to December 31, 2012 compared with our planned costs. We had the actual cost information audited. On page 46, the auditor reported that the information is reliable.

We completed most of our work within our planned costs. We explain significant differences between planned and actual costs on page 48.

Quality of Our Work

We use three measures of success in producing quality products for the Assembly.

The Institute of Chartered Accountants of Saskatchewan periodically inspects our Office to ensure that we comply with professional standards and that we meet the requirements for Chartered Accountant training offices (CATO). We expect that the Institute will report positively on our work. On pages 62 to 64, we include the Institute's inspection reports. The reports indicate that our work complies with professional standards and CATO requirements.

In 2013, we participated in the Canadian Council of Legislative Auditors (CCOLA) Inter-jurisdictional Peer Review Process. The Office of the Auditor General of Canada reviewed two of our value-for-money (performance) audit files. The objective of the review was to determine whether our audit work complied with generally accepted auditing standards of The Canadian Institute of Chartered Accountants (CICA). This report is included on page 65. The report says that our work complies with professional standards.

The Assembly requires an audit of our Office. The auditor has the same audit responsibilities as our Office. We use the auditor's reports on our Office as key measures of our success. Our performance measure is that the audit opinions on our public performance reports are unqualified (i.e., our financial statements, our compliance with *The Provincial Auditor Act*, the adequacy of our financial controls, and the reliability of key non-financial performance indicators). In 2013, 16 of our non-financial indicators were audited.

In this report, we provide the Assembly with the auditor's reports. On pages 35, 66, and 67, the auditor reports that our financial statements are reliable, we complied with the Act, and we had adequate financial management systems and practices. Also, on page 54, the auditor reports that our performance information is reliable. On page 68, the auditor reports that there are no significant matters to report to the Assembly.

Members of the Legislative Assembly's Confidence in Our Independence

We also want to ensure that the Members of the Legislative Assembly have confidence in our independence.

We include a discussion of independence on page 6. We note several mechanisms required under *The Provincial Auditor Act* that ensure that the Provincial Auditor is independent from elected and appointed officials including the Assembly's committees and boards.

People, Learning, and Development

Goal: Be an Employer of Choice who Develops and Sustains Leading Expertise and Knowledge Within the Context of a Flexible and Healthy Workplace

It is important we retain employees with strong management skills and technical knowledge to ensure we have the right balance of skills, knowledge, and expertise to effectively deliver our products and services.

We measure our success in being an employer of choice who develops and sustains leading expertise and knowledge within the context of a flexible and healthy workplace using five measures.

Auditor Composition

We need to have the right balance of skills, knowledge, and expertise to effectively deliver our products and services to our stakeholders. One of our performance measures is that our auditor composition includes at least 15% of professionals having a non-accounting designation or a designation in addition to an accounting designation.

The majority of our professional audit staff (i.e., not including students training to become accounting professionals) have an accounting designation. Eleven of these professional accountants also have a non-accounting designation. We have four non-accountant professional audit staff. In addition to accounting designations (CA, CMA), the non-accounting designations held by our staff include Certified Internal Auditor (CIA), Certified Information Systems Auditor (CISA), Certified Information Systems Security Professional (CISSP), Pension Plan Administration Certificate (PPAC), law degree (LL.B.), and Masters of Arts (MA).

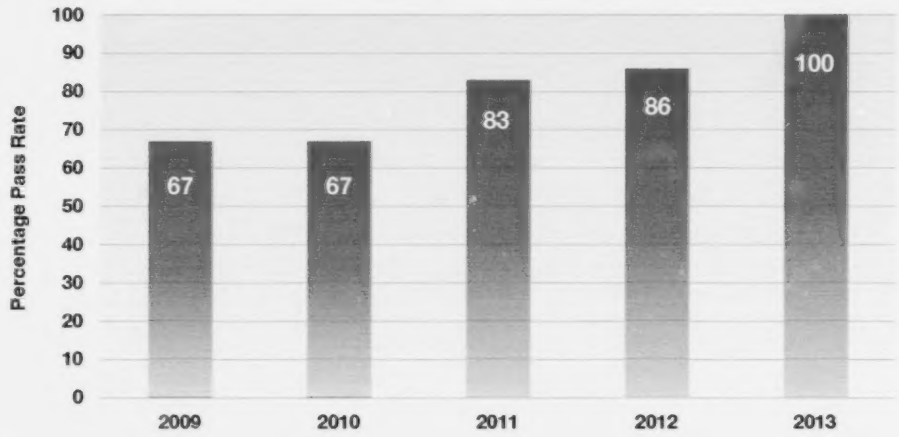
At March 31, 2013, 38% of our professional employees have a non-accounting designation. We achieved our target that our auditor composition includes at least 15% of professionals having a non-accounting designation or a designation in addition to an accounting designation.

Developing and Maintaining Trained Professionals

We are a training office for people who want to become professional accountants. Our performance measure is that our students successfully obtain their professional designation. Our target is that the majority of our students successfully obtain their professional designation.

Exhibit 7 shows the percentage of our students who passed the uniform final examinations (UFE) for the Chartered Accountancy designation.

Exhibit 7: ***Provincial Auditor's Office Pass Rate for the UFE***



For 2013, we achieved our target that the majority of our students successfully obtained their professional accounting designation.

To maintain our status and abilities as a training office for legislative auditors, we need to allocate resources for training activities. Our performance measure is that time spent on training activities averages a minimum of 8% of available hours.

Pages 52 to 53 show that we used 8% of available hours on training activities. We achieved our target.

Our five-year strategic plan also contemplates the development of career plans for individuals who have completed their professional designation/certification. We will report on progress towards this measure in future annual reports.

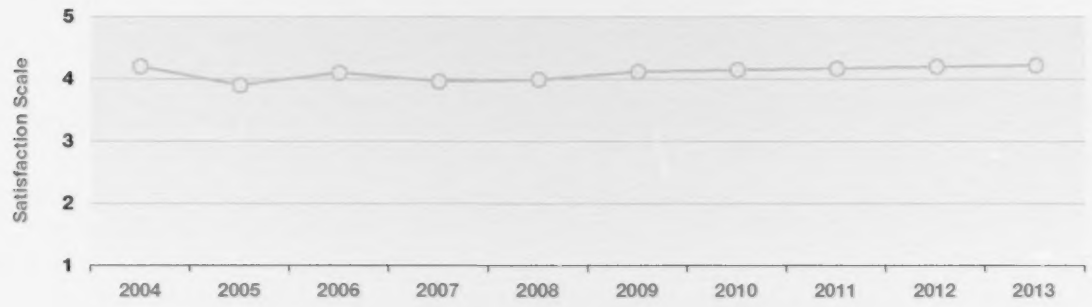
Employees' Satisfaction with Their Working Environment

We want our employees to have a good working environment. We survey employees on satisfaction annually. The survey provides employees an opportunity to express their level of satisfaction with 13 key indicators of the Office's working environment.

We have surveyed employees for 20 years. For 2013, 83% of staff responded to the survey (2012 - 83%). The survey results continue to show a positive level of satisfaction with the Office's working environment. Our survey uses a rating scale of one through five where five is the most positive response.

Exhibit 8 shows the 10-year trend for the average response for all indicators. Our performance target is that our annual office culture survey indicates a positive working environment. The exhibit shows employee satisfaction has remained positive over the past year.

Exhibit 8: ***Cumulative Average Response for all Indicators of Employee Satisfaction***



Resources

Goal: Provide Relevant, Reliable, and Timely Products and Services at a Reasonable Cost

We measure our success in providing relevant, reliable, and timely products and services at a reasonable cost using three measures.

Approval of our Business and Financial Plan

For each fiscal year, *The Provincial Auditor Act* requires our Office to provide the Standing Committee on Public Accounts (PAC) with the estimates of the money that will be required to be provided by the Legislature for the expenses of the Office. We provide this information to PAC in our Business and Financial Plan. PAC reviews the estimates and may either make any alterations to the estimates the Committee considers appropriate, or approve the estimates as presented.

Our performance measure is that our Business and Financial Plan is approved by PAC.

We met with PAC in February 2013 to discuss our *2014 Business and Financial Plan*. PAC approved our *2014 Business and Financial Plan* as presented on February 8, 2013.

Completion of Our Work as Planned

We want to provide relevant, reliable, and timely products and services at a reasonable cost. Our performance measure is to report our work by established deadlines and with the planned costs set out in our Business and Financial Plan.

As discussed on page 24, we completed the majority of the work set out in our *2013 Business and Financial Plan*. We completed our *2012 Report – Volumes 1 and 2* to the Legislative Assembly. We also reported our audit conclusions, findings, and recommendations to each government agency.

Pages 47 to 50 show our actual costs for examining government agencies for years ending in the period January 1, 2012 to December 31, 2012 compared with our planned costs. We had the actual cost information audited. On page 46, the auditor reported that the information is reliable.

We completed most of our work within our planned costs. We explain significant differences between planned and actual costs on page 48.

Assembly's Acceptance of Our Recommendations

The Legislative Assembly refers our reports to the Standing Committees on Public Accounts and Crown and Central Agencies. The work of these Committees is needed for our Office to help improve accountability and the delivery of government programs. Our performance measure is that the Standing Committees on Public Accounts and Crown and Central Agencies accept 90% of our recommendations.

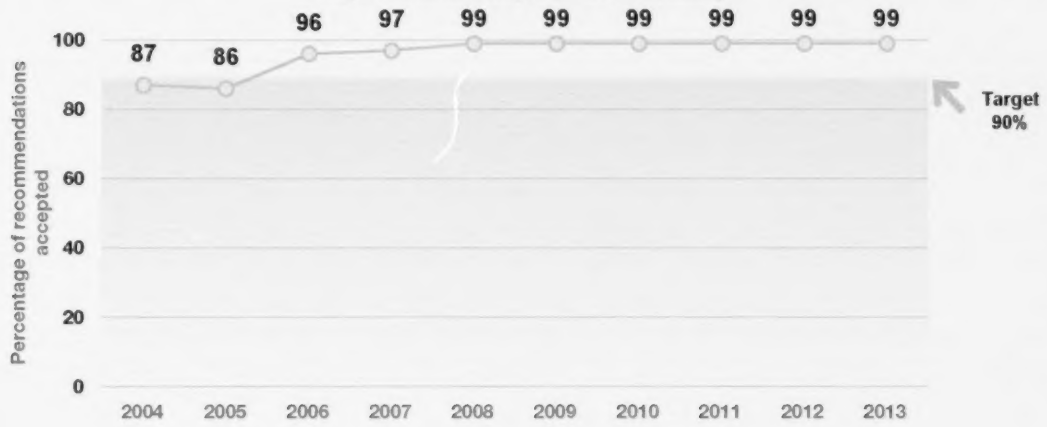
We track our recommendations to the Assembly for improving the Government's performance reports and the Government's delivery of its programs over a five-year period. During the five-year period ending March 31, 2013, we made 709 recommendations (Type 1 and Type 2).

As of March 31, 2013, the Public Accounts Committee has not reviewed and reported to the Assembly on 301 of our recommendations. As of March 31, 2013, the Crown and Central Agencies Committee has not reviewed 40 of our recommendations.

We measure our success based on the Committees' acceptance of our recommendations that they consider and report on to the Assembly. Our performance target is to have the Committees accept 90% of our recommendations.

For 2013, **Exhibit 9** shows that the Committees accepted, or partly accepted, 99% of our recommendations that they have reported on to the Assembly. The exhibit shows that we have achieved our target in eight of the past ten years. In 2013, we achieved our target that the Committees accept 90% of our recommendations.

Exhibit 9: ***Percentage of our Recommendations Considered and Accepted or Partially Accepted by Legislative Committees in their Reports to the Legislative Assembly***



Goal: Raise Awareness of the Office of the Provincial Auditor as an Accessible and Independent Office Serving the Legislature and the People of Saskatchewan

We measure our success for this goal using four measures.

Leadership Roles on Provincial and National Committees

One of our performance measures in raising awareness of our Office is that leadership roles are held by members of the Office on relevant key provincial and national committees.

To support the development and sharing of best practices in our professions, our Office supports employees' participation on several provincial and national committees. During 2013, 15 employees were involved in 22 national and 12 provincial committees/boards. Organizations where our employees are involved in leadership roles include the Canadian Council of Legislative Auditors, Auditing and Assurance Standards Board, Institute of Internal Auditors of Canada, Institute of Chartered Accountants of Saskatchewan, Canadian Institute of Actuaries, Canadian Comprehensive Auditing Foundation, and the Saskatchewan Association of Human Resource Professionals.

Members of the Legislative Assembly's Confidence

Another one of our performance measures is that Members of the Legislative Assembly have confidence in the independent assurance work of the Office.

We discuss the independence of the Provincial Auditor and all employees on page 6. We monitor independence and objectivity very closely as required by the standards for the accounting and auditing profession.

Public Awareness of Our Office

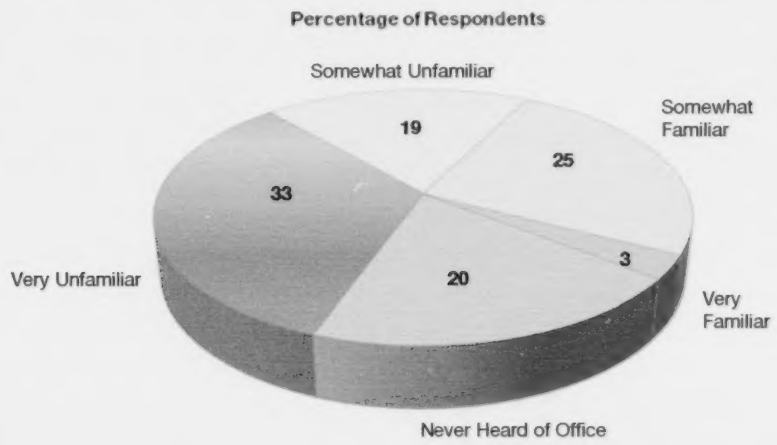
The people of Saskatchewan are key stakeholders in the results of our work. As a result, we want to increase public awareness of our Office and the role of the Provincial Auditor as an independent Officer of the Legislative Assembly.

To measure success in this area, we began participating in an Omnibus survey of Saskatchewan residents during 2013. Participants were asked how familiar they were with the Office of the Provincial Auditor.

The 2013 results of this survey provide the benchmark we will use to determine our success in improving the public's awareness of our Office and its role. This survey will be conducted again in January 2014.

We received feedback from 801 residents of Saskatchewan. **Exhibit 10** provides a summary of the responses we received. As shown in **Exhibit 10**, the public's awareness of our Office during November 2012 was low. Of the responses received, 28% indicated they had some familiarity with our Office.

Exhibit 10: ***Public's Awareness of our Office During November 2012***



Use of our Website

Our website is one of the methods we use to communicate the results of our work to our stakeholders. During 2013, our Office updated the content and functionality of our website.

Our Office is beginning to track the number of visits made to our website www.auditor.sk.ca and the number of times our reports are downloaded from the site. We will report our annual trend information in our next annual report.

Financial Highlights

Discussion and Analysis of Our Financial Affairs

This discussion and analysis should be read with our audited financial statements on pages 36 to 43.

For 2013, we requested an appropriation of $7,816,000 and a contingency appropriation of $516,000 from the Assembly. Our *2013 Business and Financial Plan* includes a discussion of the amounts requested.

Our discussion and analysis includes explanations of significant variances. We analyze expenses compared to budget. We also analyze expenses compared to the prior year.

2013 Actual Expenses Compared to Budget

Our total operating expenses of $7,786,000 were $40,000 less than anticipated in our 2013 budget. This variance relates to lower salaries and agent and advisory services offset by an increase in employee benefits and facilities and equipment.

Our 2013 budget anticipated we would have 60 salaried staff and 2 contracted staff in 2013 for a total workforce of 62 full-time equivalent (FTE) positions. During 2013, we maintained 59 FTE salaried staff and 2 FTE contracted staff for a total workforce of 61 FTE. As a result, salary costs were $71,000 less than anticipated by the 2013 budget.

Employee benefits increased $56,000 mainly due to increased employer disability plan premiums and increased CPP and EI employer premiums. These increases were not known when the 2013 budget was determined.

Our agent and advisory services were $51,000 less than anticipated when our 2013 budget was determined. The decrease was mainly due to a $35,000 decrease in required legal services. Also, agent and advisory costs decreased by $8,000 as a result of decreases in the average cost per hour for the 2 FTE positions that we contracted throughout the year for audit and administrative assistance.

Our facilities and equipment expenses were $28,000 more than planned. During 2013, our office space was renovated by the landlord as part of the new lease agreement. Our costs increased during the renovation to move furniture, temporarily relocate staff, and purchase new signage and door locks.

2013 Actual Expenses Compared to Prior Year

Total operating expenses for 2013 were $374,000 more than 2012. The differences primarily relate to increases in salaries, benefits, and facilities and equipment offset by a decrease in agent and advisory services.

Salary costs increased by $333,000 in 2013 compared to 2012. In 2013, we maintained 59 salaried staff compared to 56 salaried staff in 2012. The increase in 2013 also includes a general salary increase of 2% effective April 1, 2012. This increase reflects the increase authorized by the Government for its employees.

Employee benefit costs increased by $111,000 in 2013 compared to 2012. The increase is due to the increase in salaried staff as noted above, an increased employer pension plan contribution rate, increased employer disability plan premiums, and increased CPP and EI employer premiums.

Facilities and equipment costs increased by $128,000 in 2013 compared to 2012 as a result of our new ten-year lease that was effective April 1, 2012.

Agent and advisory services were lower by $206,000 in 2013 compared to 2012. In 2013, these costs decreased by $77,000 as a result of a lower average cost per hour for the 2 FTE positions that we contracted throughout the year for audit and administrative assistance. Our costs in 2012 were higher for contracted assistance for our strategic planning process, redesign of the Office's public reports, redesign of our accommodations, implementing a new office logo, and legal services.

The transfer to the General Revenue Fund of $565,000 includes the return of unused appropriations and other revenue as required by *The Provincial Auditor Act*.

The cost of our work is directly influenced by the types and amounts of revenues and expenses of the Government, the number of government agencies, the quality of the Government's records, the co-operation that we receive, and changing professional standards. Based on the information we knew about these factors at November 30, 2012, our request for resources from the Assembly for 2014 is $7,937,000 and $520,000 for a contingency appropriation. Our *2014 Business and Financial Plan* includes a discussion of the amounts requested.

The Legislative Assembly expects all Government agencies to provide a list of persons who have received money. Pages 88 and 89 show a list of persons who provided goods and services to the Office. The information in the list is similar to the information reported for government agencies in Volume II of the Public Accounts.

Management's Responsibility for the Financial Statements

The accompanying financial statements, included in the Annual Report on Operations of the Provincial Auditor Saskatchewan for the year ended March 31, 2013, are the responsibility of management of the Office. Management has prepared the financial statements in accordance with Canadian public sector accounting standards. Management is responsible for the reliability and integrity of the financial statements and other information contained in the Annual Report on Operations. The financial information presented elsewhere in this annual report is consistent with that in the financial statements.

To ensure the relevance and reliability of the financial data, management maintains a comprehensive system of internal controls including an appropriate code of conduct, written policies and procedures, and an organizational structure that segregates duties. These measures provide reasonable assurance that transactions are recorded and executed in compliance with legislation and required authority, that assets are properly safeguarded, and that reliable financial records are maintained. The Office's processes for safeguarding public resources, preparing reliable financial reports, and compliance with legislation have been audited by the firm of Virtus Group LLP Their reports to the Members of the Legislative Assembly, stating the scope of their examinations and opinions on the Office's management processes and compliance with the legislation, appear on pages 66 and 67.

Virtus Group LLP audited the financial statements. Their report to the Members of the Legislative Assembly, stating the scope of their examination and their opinion on the financial statements, appears on page 35.

Bonnie Lysyk, MBA, CA
Provincial Auditor

Angèle Borys, CA, CHRP
Deputy Provincial Auditor and
Chief Operating Officer

June 14, 2013
Regina, Saskatchewan

Independent Auditors' Report

To the Members of the Legislative Assembly of Saskatchewan

We have audited the accompanying financial statements of the Office of the Provincial Auditor which comprise the statement of financial position as at March 31, 2013, and the statements of operations, change in net debt, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Office's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Office's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Office of the Provincial Auditor as at March 31, 2013, and the results of its operations, change in net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

June 14, 2013
Regina, Saskatchewan

Virtus Group LLP
Chartered Accountants

Statement 1

OFFICE OF THE PROVINCIAL AUDITOR

STATEMENT OF FINANCIAL POSITION

As at March 31

(thousands of dollars)

	2013	2012
Financial assets		
Cash (Note 3)	$ 674	$ 819
Accounts receivable	8	4
	682	823
Liabilities		
Accounts payable	60	56
Accrued vacation pay	62	59
Due to the General Revenue Fund	560	708
	682	823
Net debt	---	---
Non-financial assets		
Tangible capital assets (Note 4)	117	131
Prepaid expense	90	92
	207	223
Accumulated surplus	$ 207	$ 223

(See accompanying notes)

Statement 2

OFFICE OF THE PROVINCIAL AUDITOR
STATEMENT OF OPERATIONS

For the Year Ended March 31
(thousands of dollars)

	2013		2012
	Budget (Note 5)	Actual	Actual
Revenue			
General Revenue Fund			
Appropriation	$ 7,816	$ 7,813	$ 7,620
Contingency Appropriation	516	516	514
Other	5	6	6
Total Revenue	8,337	8,335	8,140
Expense			
Salaries	5,303	5,232	4,899
Employee benefits (Note 6)	888	944	833
Facilities and equipment	714	742	614
Administration	415	440	422
Agent and advisory services	331	280	486
Training and development	175	148	158
Total operating expense	7,826	7,786	7,412
Transfer to General Revenue Fund (Note 7)	521	565	713
Total expense	8,347	8,351	8,125
Annual surplus (deficit)	$ (10)	(16)	15
Accumulated surplus, beginning of year		223	208
Accumulated surplus, end of year		$ 207	$ 223

(See accompanying notes)

Statement 3

OFFICE OF THE PROVINCIAL AUDITOR

STATEMENT OF CHANGE IN NET DEBT

For the Year Ended March 31
(thousands of dollars)

	2013	2012
Annual surplus (deficit)	$ (16)	$ 15
Acquisition of tangible capital assets	(46)	(92)
Amortization of tangible capital assets	60	75
	14	(17)
Acquisition of prepaid expenses	(90)	(92)
Use of prepaid expenses	92	94
	2	2
(Increase) decrease in net debt	---	---
Net debt, beginning of year	---	---
Net debt, end of year	$ ---	$ ---

(See accompanying notes)

Statement 4

OFFICE OF THE PROVINCIAL AUDITOR
STATEMENT OF CASH FLOWS

For the Year Ended March 31
(thousands of dollars)

	2013	2012
Operating transactions		
Cash received from:		
General Revenue Fund		
Appropriation	$ 7,813	$ 7,620
Contingency appropriation	516	514
Other	6	6
	8,335	8,140
Cash paid for:		
Salaries	5,229	4,886
Supplies and other	3,205	3,242
	8,434	8,128
Cash provided by operating transactions	(99)	12
Capital transactions		
Cash used to acquire tangible capital assets	(46)	(92)
Cash applied to capital transactions	(46)	(92)
(Decrease) increase in cash	(145)	(80)
Cash, beginning of year	819	899
Cash, end of year (Note 3)	$ 674	$ 819

(See accompanying notes)

OFFICE OF THE PROVINCIAL AUDITOR

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2013

1. General Information

The Provincial Auditor Act establishes the Office of the Provincial Auditor. The Office is part of the Legislative Branch of Government. The Office:

- Examines the administration of government programs and activities carried out by government ministries, health and education institutions, commissions, boards, and Crown corporations
- Reports the results of examinations to the Legislative Assembly and the public
- Helps the Standing Committees on Public Accounts and Crown and Central Agencies in their review of the Provincial Auditor's reports, the Public Accounts, and other reports

2. Summary of Accounting Policies

The Office uses Canadian public sector accounting standards to prepare its financial statements. A statement of remeasurement gains and losses has not been presented in these financial statements because all financial instruments are measured at amortized cost. The following accounting principles are considered to be significant.

(a) Revenue

The appropriation from the General Revenue Fund is recorded when authorized by the Legislative Assembly.

Other revenue consists of bank interest, which is recorded when earned.

(b) Tangible Capital Assets

Tangible capital assets are reported at cost less accumulated amortization. Amortization is recorded on a straight-line basis at rates based on estimated useful lives of the tangible capital assets as follows:

Computer hardware	3 years
Computer software	3 years
Furniture (desks, file cabinets)	10 years
Other furniture	5 years
Other equipment	3 years

3. Cash

Cash consists of interest-bearing money on deposit with the bank. The interest rates remained constant at 0.50% during the year.

4. *Tangible Capital Assets*

The recognition and measurement of tangible capital assets is based on their service potential. These assets will not provide resources to discharge liabilities of the Office.

	2013 (000's)			2012 (000's)
	Hardware & Software	Furniture & Equipment	Total	Total
Opening costs	$ 481	$ 339	$ 820	$ 758
Additions during the year	18	28	46	92
Disposals during the year	14	9	23	30
Closing cost	485	358	843	820
Opening accumulated amortization	445	224	689	644
Annual amortization	37	23	60	75
Disposals	14	9	23	30
Closing accumulated amortization	468	258	726	689
Net book value	$ 17	$ 100	$ 117	$ 131

Annual amortization is included in Facilities and equipment expense in the Statement of Operations.

5. *Budget*

The Budget is the General Revenue Fund appropriation requested from the Standing Committee on Public Accounts to discharge the Provincial Auditor's duties under *The Provincial Auditor Act*. The Committee recommended an appropriation of $8,332,000. The appropriation includes statutory funds that are received annually. The Budget included on Statement 2 is presented on the expense basis of accounting.

The Budget is requested using an expenditure basis of accounting where non-financial assets acquired in the period are recorded as expenditures. The 2013 Budget and Actual using the expenditure basis of accounting are as follows:

	2013 (000's)	
	Budget	Actual
Revenue		
General Revenue Fund:		
Appropriation	$ 7,816	$ 7,813
Contingency Appropriation	516	516
Other	5	6
Total Revenue	8,337	8,335
Expenditure		
Salaries	5,303	5,232
Employee benefits	888	947
Facilities and equipment	704	729
Administration	415	438
Agent and advisory services	331	280
Training and development	175	144
Total operating expenditure	7,816	7,770
Transfer to General Revenue Fund	521	565
Total expenditure	8,337	8,335
Excess of revenue over expenditure	$ ---	$ ---

6. *Pension Plan*

The Office participates in a defined contribution pension plan for the benefit of its employees. The Office's financial obligation to the plan is limited to making regular payments of 7.25% of employees' salaries for current service. The Office's annual pension expense for 2013 was $377,842 (2012 - $349,285).

7. *Transfer to General Revenue Fund*

The Provincial Auditor Act requires that all fees charged and other revenues received by the Office be deposited to the General Revenue Fund. The Act also requires that any unspent appropriations be returned to the General Revenue Fund. The $564,976 transfer (2012 - $713,189) includes the Office's unspent appropriations and other revenue (i.e., bank interest).

8. *Financial Instruments*

The Office's financial instruments include accounts receivable, accounts payable, and accrued vacation payable, and money due to the General Revenue Fund. All financial instruments are carried at amortized cost, which approximates fair value due to their immediate or short-term maturity. These instruments have no significant exposure to interest rate, credit, or liquidity risks.

9. *Commitments*

During the year ended March 31, 2012, the Office and its current landlord entered into a new ten-year lease commencing April 1, 2012. Annual lease payments are $487,803 before escalation adjustments.

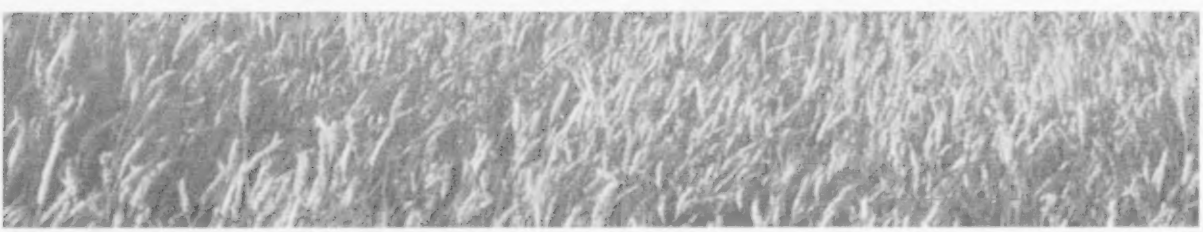
The Office is also committed to make future annual payments for operating leases of:

Year ending March 31	Amount (000's)
2014	$ 73
2015	$ 45
2016	$ 14

10. *Changes in Accounting Standards*

Effective April 1, 2012, the Office adopted new accounting standards of the Public Sector Accounting Board (PSAB): PS 3450 Financial Instruments, PS 1201 Financial Statement Presentation, PS 2601 Foreign Currency Translation, and the revised standard PS 3410 Government Transfers without restatement of prior periods. The adoption of these standards did not result in a change of the financial results of the Office.

Supporting Schedules and Reports



Independent Auditors' Report

To the Members of the Legislative Assembly of Saskatchewan

We have audited the accompanying Schedule of Actual Costs to Audit Government Agencies of the Office of the Provincial Auditor for the period as described in note 1, which is prepared in accordance with accounting principles as set out in the notes to the schedule of financial information.

Management's Responsibility for the Financial Information

Management is responsible for the preparation and fair presentation of this schedule in accordance with accounting principles set out in the notes to the schedule, and for such internal control as management determines is necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on this schedule based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the schedule is free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the schedule. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the schedule, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Office's preparation and fair presentation of the information in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Office's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the schedule.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, this schedule presents fairly, in all material respects, the actual costs to audit government agencies of the Office of the Provincial Auditor for the period as described in note 1 in accordance with the accounting principles set out in the notes to the schedule of financial information.

June 14, 2013
Regina, Saskatchewan

Virtus Group LLP
Chartered Accountants

OFFICE OF THE PROVINCIAL AUDITOR

SCHEDULE OF ACTUAL COSTS TO AUDIT GOVERNMENT AGENCIES

(thousands of dollars)

	2013		2014
Government Agency	Planned Costs (Note 5)	Actual Costs	Planned Costs (Note 5)
Executive Council	$ 16	$ 15	$ 16
Legislative Assembly	96	117	99
Ministry of Advanced Education	918	777 [1]	936
Ministry of Agriculture	275	295	325
Ministry of Central Services	307	229 [2]	243
Ministry of the Economy	298	428 [3]	367
Ministry of Education	752	572 [4]	700
Ministry of Environment	187	186	327
Ministry of Finance	872	782 [5]	882
Ministry of Government Relations	180	170	259
Ministry of Health	1,151	1,141	1,192
Ministry of Highways and Infrastructure	93	83	114
Ministry of Justice	538	510	443
Ministry of Labour Relations and Workplace Safety	22	23	32
Ministry of Parks, Culture and Sport	194	199	181
Ministry of Social Services	278	274	228
Crown Investments Corporation of Saskatchewan	86	54	132
Information Services Corporation of Saskatchewan	18	10	18
Saskatchewan Gaming Corporation	45	38	45
Saskatchewan Government Growth Fund Management Corporation	6	---	6
Saskatchewan Government Insurance	109	56	100
Saskatchewan Liquor and Gaming Authority	246	205	207
Saskatchewan Opportunities Corporation	11	10	11
Saskatchewan Power Corporation	84	60	82
Saskatchewan Telecommunications Holding Corporation	80	53	71
Saskatchewan Transportation Company	10	9	10
Saskatchewan Water Corporation	20	15	20
SaskEnergy Incorporated	121	82	76
Workers' Compensation Board	54	28	54

continued

Government Agency	2013 Planned Costs (Note 5)	2013 Actual Costs		2014 Planned Costs (Note 5)
Government-wide, Sectoral, and Special issue work	269	288		223
Legislative Committees and Public Reports	480	593	6	538
TOTAL	**$ 7,816**	**$ 7,302**		**$ 7,937**
Costs remaining to complete audits not complete at March 31, 2013	---	632		---
TOTAL	**$ 7,816**	**$ 7,934**		**$ 7,937**

(See accompanying notes)

Explanation of differences between actual costs and planned costs more than $75,000.

1 **Ministry of Advanced Education** – Our 2013 actual costs are $141,000 less than planned. To complete all of our work would cost a further $75,000. As a result, our 2013 actual costs are $66,000 less than planned. When we set our 2013 plan, we planned to assess whether the Ministry's Immigrant Nominee Program operated effectively ($38,000). The responsibility for this program is now part of the Ministry of the Economy. As a result, our work related to this program will be reported in the costs for the Ministry of the Economy. Also, our work related to 2 Labour Market Agreements were $21,000 less than anticipated when the work was planned.

2 **Ministry of Central Services** – Our 2013 actual costs are $78,000 less than planned. To complete all of our work would cost a further $73,000. As a result, our 2013 actual costs are $5,000 less than planned.

3 **Ministry of the Economy** – Our 2013 actual costs are $130,000 more than planned. To complete all of our work would cost a further $24,000. As a result, our 2013 actual costs are $154,000 more than planned. As referred to in note 1 above, work related to the Immigrant Nominee Program was not originally included in the plan for this Ministry. The responsibility for this program is now part of the Ministry of the Economy and our work related to this program is included in the costs for the Ministry ($80,000). Also, our costs related to assessing whether the Ministry had effective processes to manage the financial and associated environmental risks related to the future cleanup of oil and gas wells were $57,000 more than planned.

4 **Ministry of Education** – Our 2013 actual costs are $180,000 less than planned. To complete all of our work would cost a further $96,000. As a result, our 2013 actual costs are $84,000 less than planned. Our costs to audit the school divisions were $76,000 less than planned as a result of decreased travel costs and fewer issues requiring research.

5 **Ministry of Finance** – Our 2013 actual costs are $90,000 less than planned. To complete all of our work would cost a further $29,000. As a result, our 2013 actual costs are $61,000 less than planned. The decrease is a result of efficiencies in staff levels used and fewer audit issues requiring research for our audit work related to the Summary Financial Statements, General Revenue Fund, and pension and benefit plans.

6 **Legislative Committees and Public Reports** – Our 2013 actual costs are $113,000 more than planned. To complete all of our work would cost a further $19,000. As a result, our 2013 actual costs are $132,000 more than planned. In 2013, our time spent to prepare and publish our 2013 reports was more than planned. Some of the increased costs were offset by fewer staff attending Legislative Committee meetings than originally planned.

OFFICE OF THE PROVINCIAL AUDITOR

NOTES TO THE SCHEDULE OF ACTUAL COSTS TO AUDIT GOVERNMENT AGENCIES

1. Purpose

This schedule shows the Office's actual costs, up to March 31, 2013, of auditing the various agencies of the Government for their years ending in the period January 1, 2012 to December 31, 2012 compared to the planned costs for that period. The schedule also shows the planned costs for auditing the various agencies of the Government for their years ending in the period January 1, 2013 to December 31, 2013.

2. Definitions

The following definitions are provided to help understand our cost allocation policies.

Total Costs - This is the total operating expenditure reported in our audited financial statements (see page 42).

Audit Hour - This is the time spent on the audits set out in the detailed work plans in our Business and Financial Plans.

Cost-Per-Hour - This is the hourly rate for an audit hour for each employee as set by the Office (See Note 3).

Direct Costs - These are costs other than salaries that are directly related to specific audits (e.g. employees' travel costs).

Actual Costs - These costs are determined by multiplying employees' audit hours times employees' costs-per-hour and adding to that result direct costs.

Average Cost-Per-Audit Hour - This is the total costs for the year less direct costs divided by the total audit hours for all employees for the year.

3. Cost Allocation Policies

The Office allocates its total costs each year to the audits carried out during the year. The Office uses reported audit hours set out in employee time sheets as the basis of allocation. Direct costs are charged directly to the relevant audit.

The cost-per-hour is based on the employee's pay and benefits and a portion of other costs (rent, office administration, and support services) allocated based on the office's expected time on audit activities.

The cost-per-hour is adjusted periodically to reflect changing employee and office-wide circumstances.

The reported actual costs for each audit in the Schedule is determined by multiplying employees' audit hours for the relevant audit times the employees' costs-per-hour and adding to that result direct costs for that audit.

4. Additional Information

The Office's actual average cost-per-hour for 2013 is $108.57 (2012 - $109.85).

The Office's total actual direct costs for 2013 are $179,488 (2012 - $203,823).

Government agencies have various fiscal year ends (e.g., March 31, June 30, December 31). Due to the nature of auditing, some audit activity occurs before the government agencies' fiscal year ends; other audit activity occurs after their year ends. As a result, employees' audit activities during our fiscal year relate to more than one fiscal year of a government agency.

Table 1 shows the actual costs of the audit activity we carried out during 2013 by the relevant fiscal year-ends of government agencies. Table 2 shows the years we incurred the costs to audit government agencies for years ending in the period January 1, 2012 to December 31, 2012.

Table 1

Total Costs for 2013
Allocated to Relevant Fiscal Year-ends of Government Agencies

Relevant Fiscal Year-ends	Costs Allocated ($Thousands)
January 1, 2013 to December 31, 2013	$1,520
January 1, 2012 to December 31, 2012	5,742
January 1, 2011 to December 31, 2011	494
January 1, 2010 to December 31, 2010	---
January 1, 2009 to December 31, 2009	---
January 1, 2008 to December 31, 2008	14
Total Operating Expenditures for 2013	$7,770

Table 2

Actual Costs to Audit Government Agencies
For Their Years Ending in the Period January 1, 2012 to December 31, 2012
By the Year We Incurred the Costs

Year We Incurred Costs	Actual Costs ($Thousands)
April 1, 2012 to March 31, 2013	$5,742
April 1, 2011 to March 31, 2012	1,560
Total Actual Audit Costs Incurred	$7,302

5. Planned Costs

The planned costs set out in the Schedule are those presented to the Standing Committee on Public Accounts in the Office's *2014 Business and Financial Plan*. In our *2014 Business and Financial Plan*, we reclassified our 2013 work plan costs to reflect the new government structure as a result of the government reorganization in May 2012. The government reorganization did not change the total planned cost of our work.

Independent Auditors' Report

To the Members of the Legislative Assembly of Saskatchewan

We have audited the accompanying Schedule of Actual Time Spent on Tasks of the Office of the Provincial Auditor for the year ended March 31, 2013, which is prepared in accordance with the principles as set out in the notes to the schedule of statistical information.

Management's Responsibility for the Financial Information

Management is responsible for the preparation and fair presentation of this schedule in accordance with accounting principles set out in the notes to the schedule, and for such internal control as management determines is necessary to enable the preparation of financial information that is free from misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on this schedule based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the schedule is free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the schedule. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatements of the schedule, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Office's preparation and fair presentation of the schedule in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Office's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the schedule.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, this schedule presents fairly, in all material respects, the actual time spent on tasks of the Office of the Provincial Auditor for the year ended March 31, 2013, in accordance with the principles set out in the notes to the schedule of statistical information.

June 14, 2013
Regina, Saskatchewan

Virtus Group LLP
Chartered Accountants

OFFICE OF THE PROVINCIAL AUDITOR

SCHEDULE OF ACTUAL TIME SPENT ON TASKS

For the Period April 1, 2010 to March 31, 2013

	Actual			Planned	
Employee time	**2011**	**2012**	**2013**	**2013**	**2014**
Working hours	85%	86%	84%	84%	85%
Vacation leave and statutory holidays	13%	12% [2]	14% [2]	14%	13%
Sick leave	2%	2%	2%	2%	2%
Total paid hours	100%	100%	100%	100%	100%
Working hours tasks					
Audits	68%	68%	70% [4]	68%	68%
Support services	11%	11%	11%	10%	11%
Office administration	11%	13% [3]	11%	12%	12%
Training	10% [1]	8% [4]	8% [4]	10% [1]	9% [1]
Total work hours	100%	100%	100%	100%	100%
Total full time equivalent positions	62	58	61 [5]	62	62

(see accompanying notes)

Explanations of statistical differences in the use of employee time.

1 Beginning in 2011, more training was required to maintain knowledge related to the new auditing and accounting standards. Planned time for 2013 and 2014 continued to anticipate this need.

2 Our vacation leave and statutory holidays are similar to those provided to employees in the public service. In 2012, we contracted more staff assistance than originally planned. Hours received from contracted assistance does not include time for vacation leave and statutory holidays. 2013 reflects one more statutory holiday (Easter) for the period. This occurs every 4 years.

3 Administration time increased in 2012 as a result of updating our Strategic Plan, implementation of a new office logo, redesign of the Office's public report, and increased recruiting efforts to hire new staff.

4 During 2012 and 2013, some management and specialized training was deferred to meet audit deadlines.

5 Represents 59 full-time equivalent staff and 2 contracted full-time equivalents.

OFFICE OF THE PROVINCIAL AUDITOR

NOTES TO THE SCHEDULE OF ACTUAL TIME SPENT ON TASKS

For the Period April 1, 2010 to March 31, 2013

1. Purpose

This schedule shows work tasks and the percentage of time spent on these tasks. The schedule shows actual percentages for the years ended March 31, 2011 to March 31, 2013. The schedule also shows planned percentages for these tasks for the years ended March 31, 2013 and 2014.

2. Definitions

Working Hours – This is the time available after deducting vacation leave, statutory holidays, and sick leave.

Vacation Leave and Statutory Holidays – Vacation leave paid. It is based on years of service. Employees also receive 12 paid statutory holidays.

Sick Leave – Sick leave paid. The amount of paid leave is based on years of service.

Total Paid Hours – This is the total of working hours, vacation leave, statutory holidays, and sick leave. Employees must work a minimum of 1950 hours per year to receive full pay.

Audit Hours – This is the time spent on the audits set out in the Detailed Work Plan. Audit hours do not include the time spent on support services, office administration, and training.

Support Services – This is the time spent on accounting, computer maintenance and support, and other administrative support.

Office Administration – This is time spent on human resource activities, internal committees and working groups, office-wide and group planning activities, and time that does not fall within any other working hours task category.

Training – This is time spent on staff development courses and seminars. The time includes both employee attendance time and instructor time when our employees instruct our courses.

Full-time Equivalent Positions – Total paid hours divided by 1950 hours.

3. Time Allocation Policies

Employees and contract staff are required to record on timecards actual time spent on each task to the nearest quarter hour. The supervisors approve the timecards. The Office uses the information from the timecards to pay employees and contract staff and to monitor performance. The Office also uses this information to determine the costs to audit government agencies.

4. Planned Time

The percentages of planned time for 2013 set out in the Schedule are those presented to the Standing Committee on Public Accounts in the Office's *2013 Business and Financial Plan*. The percentages of planned time for 2014 set out in the Schedule are those presented to the Standing Committee on Public Accounts in the Office's *2014 Business and Financial Plan*.

Independent Auditors' Report

To the Members of the Legislative Assembly of Saskatchewan

We have audited the accompanying Schedule of Performance Information for Key Performance Measures of the Office of the Provincial Auditor reporting management's progress in achieving stated objectives and performance targets for the year ended March 31, 2013, which is prepared in accordance with the reporting principles set out on page 55 of the Annual Report on Operations.

Management's Responsibility for the Financial Information

Management is responsible for the preparation and fair presentation of this schedule in accordance with the reporting principles set out on page 55 of the Annual Report on Operations, and for such internal control as management determines is necessary to enable the preparation of performance information that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on this schedule based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the schedule is free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the schedule. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the schedule, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Office's preparation and fair presentation of the schedule in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Office's internal control. An audit also includes evaluating the appropriateness of reporting principles used and the reasonableness of significant judgments made by management, as well as evaluating the overall presentation of the schedule.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Schedule presents fairly, in all material respects, the Office of the Provincial Auditor's progress towards achieving stated objectives and performance targets in accordance with the reporting principles set out on page 55 of the Annual Report on Operations.

June 14, 2013
Regina, Saskatchewan

Virtus Group LLP
Chartered Accountants

Management's Representation on the Schedule of Performance Information for Key Performance Measures

We prepared the performance information in accordance with the following principles:

The performance information is relevant. It is related to stated objectives and performance targets and enables an assessment of our progress towards achieving the objectives and targets. It shows how we achieved the results and how we measured our progress towards the performance targets.

The performance information is reliable. It is based on data that are accurate, complete, and available over a long period of time and at a reasonable cost. It is derived from data that is fair and unbiased and capable of being replicated by independent and knowledgeable observers.

The performance information is understandable. It provides the level of detail needed to enable a proper understanding of performance and is limited to a key set of performance measures that are comparable over time and aggregated at appropriate and meaningful levels.

Bonnie Lysyk, MBA, CA
Provincial Auditor

Angèle Borys, CA, CHRP
Deputy Provincial Auditor and
Chief Operating Officer

June 14, 2013
Regina, Saskatchewan

OFFICE OF THE PROVINCIAL AUDITOR

SCHEDULE OF PERFORMANCE INFORMATION FOR KEY PERFORMANCE MEASURES

For the Year Ended March 31, 2013

Stakeholders (Clients)

Goal

Strengthen and advance Government's ability to achieve intended results and its accountability to the Legislative Assembly and the people of Saskatchewan.

Objectives:

1. Our stakeholders value our assurance and advice on the reliability of financial statements, compliance with authorities, and the effectiveness of internal control and information systems.
2. Our stakeholders value our assurance and advice to strengthen the effectiveness and sustainability of agency processes, programs and services, and the safeguarding of public resources.
3. Our stakeholders value our assurance and advice on the effectiveness and use of alternative service delivery models and alternative financing arrangements.
4. Our stakeholders value our assurance and advice on the effectiveness of regulatory processes and operations.
5. Our stakeholders value our advice on managing the key forces and trends affecting reporting practices in the public sector.

Targets	*2013 Results*	*Discussion*
Measure: The Government acts on 80% of recommendations that can be implemented within one year.		
80% of our recommendations that can be implemented within one year are acted on.	92% (2012 – 93%).	We achieved our target. The results for 2013 are based on all recommendations that are more than one year old and do not involve major changes made in the period April 2008 to March 2013.
Measure: The Government acts on 80% of recommendations that can be implemented within five years.		
80% of our recommendations that can be implemented within five years are acted on.	99% (2012 – 97%).	We achieved our target. The results for 2013 are based on all recommendations that are more than five years old and involve major changes made in the period April 2003 to March 2013.

Targets	2013 Results	Discussion
Measure: Post-audit feedback from auditees acknowledges the value of our work and indicates satisfaction with our work.		
Agencies are satisfied with our work.	Agencies are satisfied. (2012 – Agencies are satisfied).	We achieved our target. During the period April 2008 to March 2013 we sent 261 surveys to agencies and received 122 responses. Overall, agencies continue to tell us they are satisfied with our work as it relates to the following four areas: responsiveness, professionalism, reports, and recommendations.

Organization

Goal

Continuously improve the overall effectiveness of our Office.

Objectives:

1. We effectively allocate the resources of the Office to best serve the Legislature and Public.

3. We perform our work in accordance with professional standards.

Targets	2013 Results	Discussion
Measure: Employee time is used consistent with our Business and Financial Plan.		
Our employees' and contracted staff time is used consistent with our planned use in the Business and Financial Plan	Employee and contracted staff time was used consistent with our 2013 plan. (2012 – Consistent with 2012 plan)	We achieved our target. Refer to Schedule of Actual Time Spent on Tasks (page 52)
Measure: Proportion of time spent on performance work increases year over year toward our target of 20% of available audit hours.		
Time spent on performance work increases toward target of 20% of available hours.	17% actual. (2012 – 12% actual).	We achieved our target. Our time spent on performance work increased compared to our benchmark year (2012).

Targets	2013 Results	Discussion
Measure: Positive CCOLA Peer Reviews on our work.		
Positive report from CCOLA.	Positive report received. (2012 – Positive report received).	We achieved our target.
Measure: Positive ICAS Practice Inspection Reports on our work.		
Positive report from ICAS practice inspector.	Positive report received. (2012 – Positive report received).	We achieved our target.
Measure: The audit opinions on our public performance reports are unqualified (i.e., our financial statements, our compliance with *The Provincial Auditor Act*, the adequacy of our financial controls, and the reliability of key non-financial performance indicators).		
Audit opinions received on our public performance reports are unqualified.	All audit opinions were unqualified. (2012 – Unqualified reports received).	We achieved our target. Refer to audit opinions on pages 35, 46, 51, 54, 66, 67, 68.

People, Learning, and Development

Goal

Be an employer of choice who develops and sustains leading expertise and knowledge within the context of a flexible and healthy workplace.

Objectives:

1. Ensure we have the right balance of skills, knowledge, and expertise to effectively deliver our products and services to our stakeholders.
3. Maintain our status and abilities as a training office for legislative auditors.
4. Continually improve our work environment.

Targets	2013 Results	Discussion
Measure: Our auditor composition includes at least 15% of professionals having a non-accounting designation or a designation in addition to an accounting designation.		
Auditor composition includes at least 15% of professionals having a non-accounting designation or a designation addition to an accounting designation.	38% (2012 – 31%).	We achieved our target.
Measure: Students successfully obtain their professional designations.		
The majority of our students successfully obtain their professional designation.	100% (2012 – 86%).	We achieved our target. All of our students that challenged the 2012 UFE (final exam for CA students) were successful.
Measure: Training in the office averages a minimum of 8% of available hours.		
Time spent on training activities averages a minimum of 8% of available hours.	8% (2012 – 8%).	We achieved our target. Refer to Schedule of Actual Time Spent on Tasks (page 52).
Measure: Our annual office culture survey indicates a positive working environment.		
Employees are satisfied with our working environment.	Employees are satisfied. (2012 – Employees are satisfied).	We achieved our target. The results for 2013 are based on an annual employee survey. Employees express satisfaction with 13 key indicators of the Office's working environment.

Resources

Goal

Provide relevant, reliable, and timely products and services at a reasonable cost.

Objectives:

1. Our Stakeholders understand and value what we do.
2. We have the resources to access the competencies necessary to respond to the risks faced by our stakeholders.

Targets	2013 Results	Discussion
Measure: The Standing Committees on Public Accounts and Crown and Central Agencies accept 90% of our recommendations.		
90% of our recommendations that are considered by the Legislative Assembly are accepted.	99% (2012 – 99%).	We achieved our target. The results for 2013 are based on all our recommendations made in the period April 2008 to March 2013 and reported on by the Standing Committees on Public Accounts and Crown and Central Agencies.
Measure: Our Business and Financial Plan is approved by the Public Accounts Committee.		
The Public Accounts Committee approves our Business and Financial Plan	Approved. (2012 – Approved).	We achieved our target. During 2013, our *2014 Business and Financial Plan* was presented to and approved by the Standing Committee on Public Accounts.

Public and Social

Goal

Raise awareness of the Office of the Provincial Auditor as an accessible and independent office serving the Legislature and the people of Saskatchewan.

Objectives:

1. Communicate in a clear, accessible, and timely manner to enhance the public's awareness of the value of the work completed by the Office.

3. Advance our professional relationship with public sector and professional organizations.

4. Support the development and sharing of best practices in our professions.

Targets	2013 Results	Discussion
Measure: Public awareness of our Office.		
Increase public awareness of our Office.	28% of respondents were somewhat or very familiar with our Office.	In 2013 we participated in an Omnibus survey of Saskatchewan residents. 801 responses were received. Participants were asked how familiar they were with the Office of the Provincial Auditor. The results for 2013 provide the baseline for this indicator.

Targets	*2013 Results*	*Discussion*
Measure: Leadership roles held by members of the Office on relevant key provincial and national committees.		
The Office supports staff participation on relevant key provincial and national committees.	During 2013, 15 staff were involved in 22 national and 12 provincial committees/boards	We achieved our target.

Inspection Reports

The Institute of Chartered Accountants of Saskatchewan
3621 Pasqua Street Regina, SK S4S 6W8
tel 306 359 1010 Fax 306 569 8288
www.icas.sk.ca

August 18, 2011

Bonnie Lysyk, MBA, CA
Provincial Auditor Saskatchewan
1920 Broad St., Ste. 1500
REGINA, SK S4P 3V2

Dear Ms. Lysyk:

Practice Inspection # 2011123334

As part of the reporting and review procedures for the inspection of your office on August 18, 2011 I am providing you with the following:

1. Listing of files reviewed.

There were no reportable findings.

A final report will be sent to you after it has been considered by the committee.

I thank you for the co-operation and courtesy extended during the visit and please call if you wish to discuss these matters further.

Sincerely,

Gary Erickson, FCA
Director of Practice Inspection

The Institute of Chartered Accountants of Saskatchewan
3621 Pasqua Street Regina SK S4S 6W8
tel 306 359 1010 fax 306 569 8288
www.icas.sk.ca

December 20, 2011

PRIVATE & CONFIDENTIAL
Bonnie Lysyk, MBA, CA
Provincial Auditor Saskatchewan
1920 Broad St., Ste. 1500
REGINA, SK S4P 3V2

Dear Ms. Lysyk:

PRACTICE INSPECTION FILE #2011123334

At their meeting of December 14, 2011 the Practice Appraisal Committee reviewed the file relating to the inspection of your practice office, which was completed August 18, 2011.

The Committee is pleased to advise that no further action is required with respect to this inspection.

The committee reminds you that inspections are carried out with the objective of determining if a member firm has policies, practices and procedures in place that would enable it to provide public accounting services in accordance with the standards of the profession. This is accomplished by reviewing responses to quality control questionnaires completed by the firm, by reviewing a selection of files and by discussion with partners of the firm.

The inspection process is not intended to provide any assurance on the files and financial statements (compiled, reviewed or audited) and reports thereon issued by the firm.

Enclosed is our invoice with respect to the above noted inspection.

Thank you for your courtesy and cooperation extended to Mr. Erickson during his recent visit.

Yours truly,

William Hill, FCA
Director of Regulatory Affairs
Secretary to the Practice Appraisal Committee

WH/rd

Encl:

The Institute of Chartered Accountants of Saskatchewan
5621 Pasqua Street Regina, SK S4S 6W8
tel 306.359.1010 fax 306.569.8288
www.icas.sk.ca

December 13, 2012

PRIVATE & CONFIDENTIAL
Provincial Auditor Saskatchewan
1500-1920 Broad Street
Regina, Saskatchewan S4P 3V2

Dear: Ms. Borys:

PRACTICE INSPECTION FILE 2012131169

At their meeting of December 10, 2012 the Practice Appraisal Committee reviewed the file relating to the inspection of your Chartered Accountant Training Office (CATO), which was completed November 26, 2012.

The Committee is pleased to advise that no further action is required with respect to this inspection.

> The committee reminds you that inspections are carried out with the objective of determining if a member firm has policies, practices and procedures in place that would enable it to provide student training related to public accounting services in accordance with the standards of the profession. This is accomplished by interviewing a selection of students, counselling members and by discussion with training principal at the firm.

The report to the Practice Appraisal Committee with respect to the above noted inspection is enclosed.

Thank you for your courtesy and cooperation extended to Ms. Hubick during her recent visit.

Yours truly,

William Hill, FCA
Director of Regulatory Affairs
(Secretary to the Practice Appraisal Committee)

WH/ab

encl.

Peer Review Report

Office of the Auditor General of Canada
Bureau du vérificateur général du Canada

22 August, 2012

APPENDIX A

Ms. Bonnie Lysyk
Provincial Auditor of Saskatchewan
1500-1920 Broad St
Regina, Saskatchewan S4P 3V2

Dear Madam Lysyk,

We have carried out the post-audit issuance quality assurance review of two (2) Value-for-Money (VFM) Information Technology Audit Reports. Our work was carried out in accordance with the protocol of engagement for the inter-jurisdictional review signed on **May 28, 2012**.

The objective of this engagement is to conduct a post-audit issuance review for two (2) VFM audits and to issue conclusions on compliance with generally accepted auditing standards of the Canadian Institute of Chartered Accountants (CICA). The review criteria used are part of the review tools approved by the Canadian Council of Legislative Auditors (CCOLA). These tools were established based on CICA standards and on issues deemed important by CCOLA. These review tools are the "Quality Assurance Guiding Principles" and the "Post-Audit Issuance Review Guide for VFM Audits".

In our opinion, the audit engagements examined were carried out, in all significant respects, in accordance with generally accepted auditing standards of the CICA.

We have shared our observations with the person responsible for the engagement; however, these observations by no means affect the quality of the engagement examined, the work done, or the issuance of our conclusion on compliance with CICA professional standards. We also shared our observations on good practices.

Please convey our gratitude to your staff for their cooperation with this review.

Sincerely,

Marcel Lacasse, Reviewer (OAG)

Joanna Murphy, Reviewer (OAG)

240 rue Sparks Street, Ottawa, Ontario K1A 0G6

Auditors' Report

To the Members of the Legislative Assembly of Saskatchewan

We have audited the Office of the Provincial Auditor's control as of March 31, 2013 to express an opinion as to the effectiveness of its control related to the following objectives.

- To safeguard public resources. That is, to ensure its assets are not lost or used inappropriately; to ensure it does not inappropriately incur obligations; to establish a financial plan for the purposes of achieving its financial goals; and to monitor and react to its progress towards the objectives established in its financial plan.
- To prepare reliable financial statements.
- To conduct its activities following laws, regulations and policies related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

We used the control framework developed by The Canadian Institute of Chartered Accountants (CICA) to make our judgements about the effectiveness of the Office of the Provincial Auditor's control. We did not audit certain aspects of control concerning the effectiveness, economy, and efficiency of certain management decision-making processes.

The CICA defines control as comprising those elements of an organization that, taken together, support people in the achievement of the organization's objectives. Control is effective to the extent that it provides reasonable assurance that the organization will achieve its objectives.

Office of the Provincial Auditor's management is responsible for effective control related to the objectives described above. Our responsibility is to express an opinion on the effectiveness of control based on our audit.

We conducted our audit in accordance with standards for assurance engagements published by The Canadian Institute of Chartered Accountants. Those standards require that we plan and perform an audit to obtain reasonable assurance as to effectiveness of the Office of the Provincial Auditor's control related to the objectives stated above. An audit includes obtaining an understanding of the significant risks related to these objectives, the key control elements and control activities to manage these risks and examining, on a test basis, evidence relating to control.

Control can provide only reasonable and not absolute assurance of achieving objectives reliably for the following reasons. There are inherent limitations in control including judgement in decision-making, human error, collusion to circumvent control activities and management overriding control. Cost/benefit decisions are made when designing control in organizations. Because control can be expected to provide only reasonable assurance and not absolute assurance, the objectives referred to above may not be achieved reliably. Also, projections of any evaluation of control to future periods are subject to the risk that control may become ineffective because of changes in internal and external conditions, or that the degree of compliance with control activities may deteriorate.

In our opinion based on the limitations above, the Office of the Provincial Auditor's control was effective, in all material respects, to meet the objectives stated above as of March 31, 2013, based on the CICA criteria of control framework.

This report is provided solely for the purposes of assisting the Provincial Auditor in discharging her responsibilities and for preparing her annual report to the Legislative Assembly of Saskatchewan. The report is not to be referred to or distributed to any person who is not a member of the Office of the Provincial Auditor and should not be used for any other purpose. Any use that a third party makes of information contained in this report, or any reliance or decisions based on such information, is the responsibility of such third parties. We accept no responsibility for loss or damages, if any, suffered by any third party as a result of decisions made or actions taken based on information contained in this report.

Virtus Group LLP

June 14, 2013
Regina, Saskatchewan

Chartered Accountants

Auditors' Report

To the Members of the Legislative Assembly of Saskatchewan

We have made an examination to determine whether the Office of the Provincial Auditor complied with the provisions of *The Provincial Auditor Act* pertaining to its financial reporting, safeguarding of assets, spending, revenue-raising, borrowing and investing activities during the year ended March 31, 2013.

Our examination was made in accordance with Canadian generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, the Office of the Provincial Auditor has complied, in all significant respects, with the provisions of *The Provincial Auditor Act* during the year ended March 31, 2013.

This report is provided solely for the purpose of assisting the Provincial Auditor in discharging her responsibilities and for preparing her annual report to the Legislative Assembly of Saskatchewan. The report is not to be referred to or distributed to any person who is not a member of the Office of the Provincial Auditor and should not be used for any other purposes. Any use that a third party makes of information contained in this report, or any reliance or decisions based on such information, is the responsibility of such parties. We accept no responsibility for loss or damages, if any, suffered by any third party as a result of decisions made or actions taken based on information contained in this report.

Virtus Group LLP

June 14, 2013
Regina, Saskatchewan

Chartered Accountants

Auditors' Report

To the Members of the Legislative Assembly of Saskatchewan

Re: Audit of the Office of the Provincial Auditor for the year ended March 31, 2013

We have completed the above noted audit and have issued our reports on the financial statements, internal controls and legislative compliance dated June 14, 2013.

In accordance with *The Provincial Auditor Act*, our responsibilities to report to the members of the legislative assembly also appear to include:

> To report matters that, in our judgement, are significant (exceptions/deficiencies), if any, which may impact the annual financial statements and related controls.

This report is based only on matters assessed and relied upon for purposes of our audit opinions on the office's financial statements, internal controls and legislative compliance. This form of report is referred to as a derivative report, i.e. it is derived from the process, procedures, and findings related to the audit.

Based on the above noted reporting requirements, we provide the following observations:

Governance and Management Control

- No reportable matters identified.

Systems Control

- No reportable matters identified.

Financial Statement Presentation and Disclosure

- No reportable matters identified.

Other Matters

- No reportable matters identified.

Detailed findings and observations with respect to internal controls, and/or financial statement presentation and disclosure are discussed with the Office's management during the course of and completion of our work.

June 14, 2013
Regina, Saskatchewan

Virtus Group LLP
Chartered Accountants

Our 2012 – 2017 Strategic Plan

Strategic Direction

Our Vision

A valued and independent legislative audit office, inspiring and advancing excellence in public sector performance, accountability, and sustainability.

We Envision

A transparent and accountable government delivering effective programs that meet the needs of the people of Saskatchewan.

Our Mission

To serve the Members of the Legislative Assembly and the people of Saskatchewan, we provide independent assurance and advice on the management, governance, and effective use of public resources.

Our Values

We are committed to earning the respect and confidence of our stakeholders and professional colleagues. We hold ourselves individually and collectively accountable in upholding the vision, mission, and values of the Office of the Provincial Auditor.

- **Independence** – We maintain our objectivity in all of our work.
- **Innovation and Excellence** – We challenge the status quo and strive for excellence to achieve positive results.
- **Trust and Integrity** – We are professional, honest, courteous, and fair.
- **Leadership** – We lead by example and encourage open communication and teamwork.
- **Relevance** – We make a difference, serving as a catalyst for effectiveness and accountability in the public sector.
- **Balance** – We support harmony between work, personal life, and community involvement as we strive to balance personal and professional goals.
- **Learning** – We promote and foster a creative culture that stimulates personal and professional growth.
- **Diversity** – We believe our strength rises from the diversity of our experience, knowledge, and cultural backgrounds.
- **Accountability** – We actively take responsibility for achieving positive results and for explaining our performance.

External Forces and Trends

It is important that we remain knowledgeable about the external environment and trends affecting Saskatchewan.

We can then use this knowledge to determine where to focus our audit resources. This in turn will ensure that our work is relevant and adds value in auditing and advising on how well the government is managing its responsibilities and resources.

We have identified the following 12 external forces/trends to consider in our strategic plan. We intend to focus our efforts on assisting our stakeholders to address the challenges and opportunities emerging from these external forces and trends. We plan to assess the effectiveness of agencies' processes to manage outcomes in key areas such as health, social services, environment, infrastructure, and education. Over the five-year period of the plan the Office will continue to monitor external forces and trends in order to respond proactively.

EXTERNAL FORCE / TREND	SUMMARY
1. Changing Demographics & Diversity	• The population of Saskatchewan is expected to continue to grow and diversify. • The proportion of Aboriginal people and immigrants will continue to increase. • The arrival of additional immigrants will bring new expectations and requirements for the delivery of public services. • Economic disparity among people may continue to rise. • An aging population will place increased demands on government programs and resources such as healthcare.
2. Technology Change & Complexity	• The increased use of technology (e.g., wireless and handheld systems, cloud computing) will bring new audit, security, and privacy risks. • Changes in technology also raise concerns regarding the protection of personal and private information. • Scientific advances lead to increasing expectations.
3. Changes in Professional Assurance Standards	• Changes to international assurance (auditing) standards require new training, on-going development, and new processes for auditors.

EXTERNAL FORCE / TREND	SUMMARY
4. Changes in Professional Accounting Standards	• Changes to the "financial statement preparer rules" impact the content and presentation of financial information, which in turn impacts the audit work performed. • More generally accepted accounting frameworks are being used by audit clients, which in turn increases work and knowledge demands for auditors. • Changes in professional accounting standards creates a need for new training, on-going development, and new internal processes. • Cross Canada focus on Summary Financial Statements for government public reporting versus public reporting on a general revenue fund.
5. Changes in Service Delivery Based on Citizen Priority	• Increased use of alliances and partnerships with other jurisdictions and governments. • Public expectations for smaller, more efficient government. • Increasing expectations for direct citizen participation in decision making including access to services. • Changes in delivery models and accountability: public-private partnerships, agency delivery, multi-agency, quasi or non-government agency delivery, etc. • Increased importance of effective governance systems and practices.
6. Changes in the Public Sector Workforce	• Succession planning and the management of retirements in the public sector due to the loss of knowledge and history. • Reduction in the size of the public sector workforce and the impact on program and service delivery. • Increasing competition for the best employees. • Multiple generations in the workplace with differing values and styles. • Mobility of young people to pursue multiple careers; loss of employer loyalty; interconnectivity internationally. • Increasing number of MBAs and MPAs. • Increased cultural diversity in the workplace. • Poor investment returns are delaying retirements.

EXTERNAL FORCE / TREND	SUMMARY
7. Sustainability and Protecting the Physical Environment	• Predict more severe and intense weather events such as floods, tornadoes, droughts, etc. will require public resources and a timely response. • Increasing expectations from the people of Saskatchewan for sustainable development and management. • Opportunity for environmental and science based auditing to assess regulatory compliance and performance outcomes. • New regulatory systems for climate change or results based regulation impacting accountability.
8. Focus on Infrastructure	• Aging infrastructure and growing infrastructure deficits combined with the need for long-term capital planning and asset management practices. • Growing population increases the wear and tear on infrastructure. • Roads and transportation systems are critical for growing the economy of an exporting province like Saskatchewan. • Expectations for new forms of infrastructure which are expensive and may become quickly obsolete such as cellular and digital networks.
9. Emergence of Non-Traditional Media	• High adoption rates for social media including Facebook, Twitter, blogs, YouTube and others. • Opportunity for the public to raise an issue and define the public debate immediately on the internet. • Increasing emphasis on websites and real time communication. • Risks for the protection of private and personal information. • Specialized software applications for hand held devices.

EXTERNAL FORCE / TREND	SUMMARY
10. Impact of Global Markets and Interdependence on Saskatchewan	• Increased volatility in financial markets, capital markets and debt ratings affects the pay down of debt, investment earnings, and pension plans, etc. • Interdependence brings issues in the global economy to Saskatchewan. • Volatility of economic growth based on a resource economy – oil, potash, uranium, etc. - may result in income volatility. • Currency volatility and impacts for an export-focused province. • Pressure for balanced budgets on governments. • The increasing importance of risk assessment and timely adoption of research-proven best practices in a variety of disciplines.
11. New Financing Structures in Government	• New financing structures will bring increased complexity and assurance requirements. • Increased use of public-private partnerships and other forms of private capital to fund public services. • New partnerships will require an understanding of who holds which risks, plus accountability for delivering on commitments by all parties. • Continued focus on risk management and governance in the public sector.
12. Evolving Relationships Between Legislative Auditors and Public Accounts Committee	• Increasingly "best practices" for Public Accounts Committee are being shared and used as a guide for implementation and management. • Public Accounts Committees have varying expectations for Legislative Audit Officers. • Public Accounts Committees are looking beyond Canada in evolving their role. • Increasing desire to make Public Accounts Committee more efficient. • Increasing role of research officers to assist Public Accounts Committees.

Our Risks

Our success is based on providing independent, relevant, and reliable services at a reasonable cost. To do this, we must manage the following risks to ensure we accomplish our goals:

- Our stakeholders do not support our goals and objectives
- Government does not act on our recommendations
- The Standing Committees on Public Accounts and Crown and Central Agencies do not fulfill their responsibilities
- We do not have the required competencies and resources to deliver our products and services
- We do not manage our resources effectively
- We do not understand or respond to the challenges faced by our stakeholders
- We lose or are perceived to lose our independence
- We provide inappropriate, incorrect assurance and advice

Our Balanced Scorecard

The Office of the Provincial Auditor has adopted a balanced scorecard method for designing and measuring its five-year strategic plan. The balanced scorecard method provides the Office the opportunity to present a mix of goals, objectives, strategies, and financial and non-financial measures that will support the accomplishment of its vision, mission, and legislated mandate.

The balanced scorecard adopted by the Office has five perspectives:

- Stakeholders (Clients)
- Organization
- People, Learning, and Development
- Resources
- Public and Social

Our products and services include independent financial statement audits, internal control audits, compliance audits, performance audits, better practice guides, assurance reports and the sharing of knowledge and expertise.

The balance of the strategic plan outlines a comprehensive set of objectives and supporting strategies designed to accomplish our vision, mission, legislated mandate, and goals.

A. Stakeholders (Clients)

Our primary clients are the members of the Legislative Assembly. Our other clients are public sector ministries and agencies and the people of Saskatchewan.

Goal

Strengthen and advance Government's ability to achieve intended results and its accountability to the Legislative Assembly and the people of Saskatchewan.

Objectives and Supporting Strategies

1. Our stakeholders value our assurance and advice on the reliability of financial statements, compliance with authorities, and the effectiveness of internal control and information systems.
   a) Provide timely assurance on agencies' financial reports using various financial reporting frameworks
   b) Analyze the impact of changes in governance structures on the financial reporting requirements for public agencies
   c) Provide timely assurance on the effectiveness of agencies' internal controls
   d) Provide timely assurance on agencies' compliance with governing authorities
   e) Provide timely assurance on agencies' security over information technology systems and practices, e.g., wireless, social media, and the protection of personal information
2. Our stakeholders value our assurance and advice to strengthen the effectiveness and sustainability of agency processes, programs and services, and the safeguarding of public resources.
   a) Assess the effectiveness of agencies' key processes, programs, and services to achieve outcomes and/or safeguard public resources
   b) Assess the effectiveness of key government-wide programs and processes
   c) Advance practices and understanding of effective public sector governance
   d) Assess the effectiveness of government practices for long-term capital asset management and capital planning
   e) Assess the effectiveness of risk management and long-term operational planning practices in the public sector
   f) Provide timely assurance on agencies' processes and systems to effectively identify and manage intellectual property
   g) Leverage knowledge and improve audit results through collaborative audits with other jurisdictions
   h) Advise legislators of challenges in managing the key forces and trends affecting Government
3. Our stakeholders value our assurance and advice on the effectiveness and use of alternative service delivery models and alternative financing arrangements.
   a) Provide timely assurance on the effectiveness of achieving expectations and positive outcomes through third party entities

b) Encourage agencies to strengthen the accountability of the agencies they oversee

c) Promote effective and accountable practices for alternative financing arrangements and structures

4. Our stakeholders value our assurance and advice on the effectiveness of regulatory processes and operations.

   a) Assess the effectiveness of key regulatory processes and operations (e.g., environmental)

5. Our stakeholders value our advice on managing the key forces and trends affecting reporting practices in the public sector.

   a) Promote and highlight best practices in public reporting, management, and governance

   b) Enhance communication with MLAs, Deputy Ministers, Presidents, Chief Executive Officers, executive managers, Boards of Directors, and Audit Committees

   c) Provide commentary on draft bills that impact accountability of the government to the Legislature or that impact the mandate of our Office

   d) Report to the Legislators on Government's overall accountability to the Assembly compared to other jurisdictions

6. The Public Accounts Committee continues to perform its role in an effective manner.

   a) Monitor Public Accounts Committee practices in other jurisdictions

   b) Continue to assist the Public Accounts Committee to operate effectively

7. The Government uses the Summary Financial Statements to manage and publicly report on finances.

   a) Inform stakeholders of the benefits of focused public reporting on the Summary Financial Statements

   b) Seek positive changes to financial public reporting practices (e.g., public reporting on the Summary Financial Statements, summary budgeting, quarterly reporting, and effective management discussion and analysis)

   c) Encourage Government to strengthen management discussion and analysis on the Province's summary level financial condition

Measures

The following key measures will be used to report on our results for the Stakeholder (Client) perspective:

- The Government acts on 80% of recommendations that can be implemented within one year
- The Government acts on 80% of recommendations that can be implemented within five years
- Post-audit feedback from auditees acknowledges the value of our work and indicates satisfaction with our work
- Our reports are provided to the Legislature and government officials within agreed upon timeframes and meet statutory deadlines

B. Organization

Our performance is achieved through sound organizational structure, strong governance, strong management, strong technical knowledge, and efficient administrative support.

Goal

Continuously improve the overall effectiveness of our Office.

Objectives and Supporting Strategies

1. We effectively allocate the resources of the Office to best serve the Legislature and Public.
   a) Prepare an annual Business and Financial Plan and an Annual Report on Operations
   b) Increase the proportion of performance work from our 2011-12 level
   c) Maintain relationships and involvement with appointed auditors
   d) Assess the relevance of our assurance and other products
   e) Promote a Provincial Auditor Act that reflects best practices to better serve stakeholders
2. We optimize our use of technology, methodologies, internal processes, and management practices to ensure they support the audit, administration, and confidentiality needs of our Office.
   a) Provide technology to maximize productivity and to strengthen and simplify our management information systems
   b) Ensure reliability and performance of our IT systems
   c) Maintain current, efficient, and effective assurance methodologies
   d) Maintain high standards for security and confidentiality of information
   e) Provide efficient and effective administration and internal reporting
   f) Communicate internally in a clear, accessible, and timely manner (e.g., website, intranet, reports, memorandum, correspondence, etc.)
3. We perform our work in accordance with professional standards.
   a) Maintain strong quality control processes
   b) Maintain an active Practice Review Committee
   c) Participate in CCOLA Peer Reviews
4. We maintain our independence and objectivity.
   a) Provide clear policies and processes to guide our team in understanding and maintaining the independence and objectivity of our Office

Measures

The following key measures will be used to report on our results for the Organization perspective:

- Employee time is used consistent with our Business and Financial Plan
- Our work is reported by established deadlines and within the planned costs set out in our approved Business and Financial Plan
- Positive CCOLA Peer Reviews on our work
- Positive ICAS Practice Inspection Reports on our work
- The audit opinions on our public performance reports are unqualified (i.e., our financial statements, our compliance with *The Provincial Auditor Act*, the adequacy of our financial controls, and the reliability of key non-financial performance indicators)
- Proportion of time spent on performance work increases year over year toward our target of 20% of available audit hours
- Members of the Legislative Assembly have confidence in our independence

C. People, Learning, and Development

Goal

Be an employer of choice who develops and sustains leading expertise and knowledge within the context of a flexible and healthy workplace.

Objectives and Supporting Strategies

1. Ensure we have the right balance of skills, knowledge, and expertise to effectively deliver our products and services to our stakeholders.
    a) Renew the performance development system based on competencies and link it to career plans and the Office's strategic plan
    b) Maintain relevant skills and knowledge in various financial reporting frameworks
    c) Maintain specialist knowledge in the many diverse and complex businesses the government manages (e.g., environment, health, information technology, pensions, insurance)
    d) Recruit individuals with MPAs/MBAs and/or with senior public sector experience
    e) Supplement the Office's knowledge and expertise by contracting individuals with applicable subject matter expertise
    f) Support training and development opportunities
2. Structure audit teams and the assignment of resources consistent with effective service to stakeholders.
    a) Prepare audit resource plans based on our risks and the risks faced by our stakeholders
    b) Assign audit team members to provide a suitable mix of skills and levels of expertise
    c) Assign audit team members consistent with stakeholder needs and with consideration of employee career plans
3. Maintain our status and abilities as a training office for legislative auditors.
    a) Use a broad-based training curriculum that effectively develops legislative auditors
    b) Provide audit team members with experience completing performance audits
    c) Further develop expertise in performance auditing
    d) Support the development of career plans for employees who have completed their professional designation/certification
    e) Support secondments within the legislative audit community
4. Continually improve our work environment.
    a) Provide stimulating work opportunities that challenge employees
    b) Maintain a safe, positive, and healthy workplace that supports healthy choices and lifestyles
    c) Provide flexibility to employees to balance work, personal, and community commitments

d) Embrace diversity in the workplace

e) Provide mentoring and coaching

f) Pay our employees competitively based on market conditions

g) Support an employee recognition program and the provision of long-term service awards

5. Be an acknowledged contributor to Canadian and International activities that support and advance public sector auditing.

   a) Assist in the development of good governance and public sector auditing in North America and developing countries

6. Proactively manage succession to provide stability and opportunity.

   a) Formalize and implement a succession plan for senior management positions

Measures

The following key measures will be used to report on our results for the People, Learning, and Development perspective:

- Our annual office culture survey indicates a positive working environment
- Students successfully obtain their professional designations
- Training in the office averages a minimum of 8% of available hours
- Our auditor composition includes at least 15% of professionals having a non-accounting designation or a designation in addition to an accounting designation
- Career plans are in place for individuals who have completed their professional designation/certificate

D. Resources

Goal

Provide relevant, reliable, and timely products and services at a reasonable cost.

Objectives and Supporting Strategies

1. Our Stakeholders understand and value what we do.
   a) Seek and monitor the views of our stakeholders on our plans and performance
   b) Maintain support for our recommendations
   c) Assess and report on the status of our recommendations
2. We have the resources to access the competencies necessary to respond to the risks faced by our stakeholders.
   a) Obtain Public Accounts Committee support for appropriate resources to effectively serve our stakeholders
3. Continuously improve the efficiency of our service delivery.
   a) Search for and share efficiencies within the Office
   b) Acquire quality goods and services at the best prices
   c) Monitor and compare information about costs of similar service providers
4. Use our knowledge to influence agencies and drive lasting improvement in public services.
   a) Establish an external Advisory Committee to the Provincial Auditor

Measures

The following key measures will be used to report on our outcomes for the resources perspective:

- Our Business and Financial Plan is approved by the Public Accounts Committee
- Our work is reported by established deadlines and within the planned costs set out in our Business and Financial Plan
- The Standing Committees on Public Accounts and Crown and Central Agencies accept 90% of our recommendations

E. Public and Social

Goal

Raise awareness of the Office of the Provincial Auditor as an accessible and independent office serving the Legislature and the people of Saskatchewan.

Objectives and Supporting Strategies

1. Communicate in a clear, accessible, and timely manner to enhance the public's awareness of the value of the work completed by the Office.
   a) Develop and implement communications plans
   b) Improve the appearance, accessibility, and availability of information on the Office's website
   c) Evaluate the potential use of social media tools as a means to communicate directly with the public
   d) Ensure our public reporting is clear and timely
   e) Support the Office's involvement in charities and related fundraising events
2. Support legislators to make effective use of our Office.
   a) Support the Legislative Committees in their scrutiny role
   b) Engage Members of the Legislative Assembly by providing them with an orientation and other information about our Office
3. Advance our professional relationship with public sector and professional organizations.
   a) Improve the awareness and understanding of our Office
   b) Establish relationships with the academic and research communities
   c) Establish and/or maintain relationships with agencies, boards, and audit committees
4. Support the development and sharing of best practices in our professions.
   a) Actively participate and maintain leadership roles on provincial and national committees (e.g., CCOLA, CICA, ICAS, IIA, CMA)
   b) Work collaboratively with other provinces through CCOLA
   c) Monitor the assurance and performance reports of other jurisdictions to identify best practices

Measures

The following key measures will be used to report on our outcomes for the Public and Social perspective:

- Members of Legislative Assembly have confidence in the independent assurance work of the Office
- Public awareness of our Office
- Positive trend in the number of visits to the Office's website and the number of reports downloaded
- Leadership roles held by members of the Office on relevant key provincial and national committees

Glossary of Terms

Agency – an entity of Government accountable for public money.

Alternative Financing Arrangements and Structures – sources of funds and structures for financing public infrastructure or public capital that are non-traditional in nature.

Alternative Service Delivery Models – non-traditional forms of government service delivery that could include agencies, public-private partnerships, outsourcing, privatization, or other types of service agreements.

Applications – electronic applications hosted on handheld wireless devices.

CICA – the Canadian Institute of Chartered Accountants represents Canada's Chartered Accountant profession both nationally and internationally.

CCOLA – the Canadian Council of Legislative Auditors is an organization devoted to sharing information and supporting the continued development of auditing methodology, practices, and professional development in legislative auditing.

Cloud Computing – a model for delivering information technology services in which resources are retrieved from the internet through web-based tools and applications.

Crown and Central Agencies Standing Committee – the Standing Committee on Crown and Central Agencies considers matters relating to the Crown Investments Corporation of Saskatchewan and its subsidiaries, central government agencies, liquor, gaming, and all other revenue related agencies and entities.

Financial Reporting Framework – is the set of criteria that management uses to prepare a set of financial statements (e.g., public sector accounting standards, international financial reporting standards)

GAAP – Generally Accepted Accounting Principles refer to the standard framework of guidelines for financial accounting. GAAP includes the standards, conventions, and rules accountants follow in recording and summarizing, and in the preparation of financial statements.

General Revenue Fund – is the main fund that receives government revenue. The GRF is available for appropriation by the Legislative Assembly for the public services of Saskatchewan. The GRF financial statements account for transactions of the GRF.

Goal – a general statement of desired results to be achieved over an unspecified period of time.

ICAS – the Institute of Chartered Accountants of Saskatchewan whose mission is to foster public confidence in the CA profession by acting in the public interest and helping its members excel.

IIA – the Institute of Internal Auditors (IIA) is an international professional association recognized as the internal audit profession's leader in certification, education, research, and technical guidance.

International Auditing Assurance Standards – standards set by the International Auditing and Assurance Standards Board (IAASB). IAASB is an independent standard-setting body that serves the public interest by setting high-quality international standards for auditing, quality control, review, other assurance, and related services.

MBA – refers to the degree Master of Business Administration.

MPA – refers to the degree Master of Public Administration.

Measure – a factor chosen to monitor success in achieving objectives.

Mission – the broad, long-term purpose of an agency and its primary focus including the stakeholders to be served.

Multi-Agency Delivery – the collaboration of two or more agencies accountable for public money and the delivery of public services.

Non-Governmental Agency Delivery – a non-public entity that is accountable for public money and the delivery of public services.

Objective – a measurable, time-defined result to be achieved that leads to the achievement of each goal.

Performance Audit – is a fair and impartial assessment that provides objective information about the performance of programs, activities, and functions, and when applicable, specifies about where improvements can be made and the likely impact of those improvements.

Public Accounts Committee – the Standing Committee on Public Accounts scrutinizes the fiscal management, administration, and stewardship of public assets by the Government of Saskatchewan.

Public-Private Partnership – describes a government service or private business venture which is funded and operated through a partnership of government and one or more private sector companies. These arrangements are sometimes referred to as PPP, P3, or 3P.

Strategy – the approaches that can be taken to meet objectives and achieve goals.

Summary Financial Statements – provide the consolidated financial position of the Government of Saskatchewan.

Vision – a brief description of the ideal state.

Supplementary Information

Employee Earnings

List of employees earning $50,000 or more and their earnings for the year ended March 31, 2013.

Ahmad, Mobashar	$171,643
Anderson, Mark	137,785
Bachelu, Gaylene	53,061
Borys, Angèle	161,641
Clemett, Tara	134,785
Deis, Kelly	145,535
Dickin, Deann	85,750
Dressler, Nicole	53,524
Drotar, Chariene	63,757
Duran, Jason	69,371
Ferguson, Judy	170,785
Halladeen, Aaron	80,621
Harasymchuk, William	123,609
Heebner, Melanie	100,785
King, Mark	73,190
Klassen, Linda	111,702
Knox, L. Jane	116,092
Kress, Jeffrey	124,065
Lefebvre, Jennifer	52,417
Leifso, Justin	68,292
Lindenbach, Michelle	100,785
Lowe, Kimberley	124,443
Lysyk, Bonnie	209,650
McIntyre, Mitchell	53,524
Montgomery, Edward	165,315
Nyhus, Glen	134,785
O'Quinn, Carolyn	134,785
Ochieng, Jennifer	75,926
Pituley, Jonathan	53,524
Rau, Brent	53,524
Russell, Stephanie	73,552
Rybchuk, Corrine	80,871
Schlamp, Perry	70,387
Schwab, Victor	134,785
Shaw, Jason	95,785
Slatnik, Jennifer	73,552
Sommerfeld, Regan	124,443
St. John, Trevor	109,785
Stroh, Evan	53,566
Tomlin, Heather	85,750
Volk, Rosemarie	134,785
Wandy, Jason	88,326
Weyland, Grant	73,190
Yanyu, Melissa	80,117
Yee, Ken	58,750
Zerr, Jennifer	74,139
Payees under $50,000	684,970
Recoveries and increase in accrued vacation leave payable	(6,526)
	$5,294,898

Suppliers

List of persons or organizations that provided goods and services to the Office of the Provincial Auditor for $50,000 or more for the year ended March 31, 2013.

FACT Computers (1998) Ltd.	$ 118,043
Institute of Chartered Accountants of Saskatchewan	52,871
MNP LLP (Regina and Saskatoon)	84,328
S & U Homes	484,186
Saskatchewan Blue Cross	82,703
	822,131
Other suppliers under $50,000	851,697
	$ 1,673,828

Other Expenditures

List of statutory expenditures of the Office of the Provincial Auditor for $50,000 or more for the year ended March 31, 2013.

Public Employees Dental Plan	$ 79,334
Public Employees Disability Income Plan	87,733
Public Employees Pension Plan	377,842
Receiver General for Canada - Canada Pension Plan	143,713
Receiver General for Canada - Employment Insurance	65,386
	754,008
Other statutory expenditures under $50,000	47,775
	$ 801,783